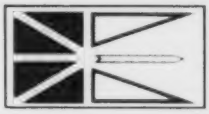
GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR



A Consultation Paper on a Strategic Economic Plan for Newfoundland and Labrador

Government of Newfoundland and Labrador

September 1991

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FOREWORD

In the Fall of 1990, the Government of Newfoundland and Labrador started the process of developing a strategic economic plan for the Province and established a group of senior officials, known as the Economic Planning Group (EPG), to prepare this plan on behalf of Government. This plan will serve as a guide for government policies and activities that affect the economy and will ensure coordination of the activities of all departments, and agencies of government to achieve maximum economic growth and benefit. The work of the EPG continues and the strategic economic plan will be completed early in 1992.

Government also recognizes the need to supplement the work of the EPG by consulting with the people of the Province. Consequently, this document is being made available in an effort to solicit public response to the strategic economic plan.

It must be emphasized that this consultation paper is *not* the Province's final Strategic Economic Plan; rather, it is part of the preparation for that plan. Its purpose is to allow all residents of the Province to become familiar with Government's economic policy, to discuss government's proposed options for development, and to provide an opportunity for contributing to what that plan should be. We do not expect that there will be complete agreement on all that is outlined in this paper, nor is there any need for such agreement. Rather, it is meant to encourage – or provoke – an open and frank discussion among all residents of this Province as we consider together our approach to economic development in the 1990s and the coming decades.

This Fall a series of consultation sessions will be held in various parts of the province to discuss this consultation paper. In addition to these sessions, citizens of the Province are encouraged to submit their comments to Government in writing at any time during the consultation period.

To help with the consultation process, Government has asked the Advisory Council on the Economy (ACE) to co-ordinate the release of this paper, to organize and conduct the consultation sessions, and finally to advise the government of the results of that process in a report which will be used in the preparation of the Strategic Economic Plan.

Your participation in this process is vital – for yourself, your community and your Province; I thank you, in advance, for your contribution and involvement.

Clyde K. Wells
Premier

1

INTRODUCTION

Since the Economic Planning Group was established in the Fall of 1990, it has been following a three-phased approach to preparing a strategic economic plan for the Province.

During Phase 1, government departments and agencies reviewed their activities, assessed the economy's strengths and weaknesses, and tentatively identified the threats to and opportunities for economic growth and development in our existing goods and service industries. While much was accomplished in Phase 1, significant work and public input still are necessary to complete the Strategic Economic Plan.

Consequently, Phase 2 will involve both a public consultation process, for which this paper has been prepared, and more detailed research and analysis including

- an analysis of realistic economic opportunities, goals and objectives over the next five years and beyond;
- a review of the recommendations of other major reports which have been produced in recent years to determine their place in current government programming; and
- an examination of the effectiveness of present government policies, programs and current spending on economic development to help prioritize and direct economic development efforts.

The Economic Planning Group is already engaged in a number of initiatives, the results of which will be considered in finalizing the Strategic Economic Plan. Included among these initiatives are specific studies related to income support, productivity, labour relations, research and development opportunities, education programs, export trade opportunities and the role of energy in economic development.

Other issues being studied in more detail include the roles of transportation, communications and construction in economic development; the potential for establishing foreign trade zones in the Province; and the reform of the tax system to encourage business development.

Again, it must be emphasized that this current document is not the Province's Strategic Economic Plan. Much of the information contained in the paper is also, of necessity, preliminary or short on details. Nevertheless, it is intended to provide enough information to stimulate debate so that the Province's Strategic Economic Plan can be prepared for release in early 1992.

Phase 3 will commence with the release of the Strategic Economic Plan and will be the implementation, monitoring and evaluation phase of the Plan.

2

ECONOMIC POTENTIAL, VISION AND GOALS

Economic Potential

The goal of a strong economy for Newfoundland and Labrador is attainable. Opportunities for development in the resource, manufacturing and service sectors, combined with a supportive government policy framework, can produce a rate of economic growth that will reduce economic disparities between the Province and the rest of Canada.

There are, for instance, major opportunities in the energy sector. The Hibernia project will create approximately 65,000 person-years of direct and indirect employment over the 24 years of construction and production. Many more jobs can be created if Newfoundland and Labrador firms are successful in winning additional contracts which are not specifically committed to the Province. The Terra Nova field will likely go into the development phase in the early to mid 1990s and also create significant levels of work. There is also a potential for greater exploration activity during the 1990s, additional developments associated with the estimated five billion barrels of oil remaining to be discovered in the Newfoundland and Labrador offshore area, downstream industry development in refining and petrochemicals, and export contracts based on the experience gained by Newfoundland and Labrador companies from local oil field developments.

If agreement is reached on the Lower Churchill project, construction could begin as early as 1995 and create an estimated 15,550 person-years of direct employment to the year 2006, approximately 175 jobs each year thereafter, and more than 60,000 additional person-years of induced employment. In the long term, this project could provide substantial revenues to the Provincial Treasury, stable energy costs to consumers and a consistent source of energy to attract industry.

While the traditional resource activities do not provide the opportunity for new large-scale job creation, there are many business opportunities and

increased efficiencies which can be pursued. For example, in the fishing industry, stock regeneration, greater use of underutilized species, more secondary processing, fisheries-related manufacturing and aquaculture could provide new employment opportunities. Potential mining developments in the near future include base metals, dolomite, slate, dimension stone, limestone, manganese and gold.

A concerted plan for diversification of the economy into knowledge-based, innovative technology and export-oriented enterprises can also bring considerable benefits. Building upon the strong infrastructure in marine-related science and engineering, existing and new companies can sell high-value-added manufactured products and services all over the world, and can provide stable and high-quality jobs in the Province. This sector can also provide spinoffs into advanced technology production for non-marine industries, and can contribute to greater productivity within our traditional resource sectors.

A prosperous economy based on these opportunities can be achieved if this Province has a well-educated labour force and motivated entrepreneurs who are adaptable to changes in technology and economic forces and who are committed to making Newfoundland and Labrador a viable, self-sustaining society. Government's policies on education and training, science and technology, productivity, urban and rural development, enterprise incentives, and labour relations will provide the framework within which all these developments can occur.

This outlook for the economy depends on many issues being resolved in a favourable manner. Therefore, while such prospects are attainable, this paper attempts to provide a realistic overview of economic potential, recognizing that fundamental changes in our approach to economic development are required if our full potential is to be realized.

Vision

The proposed vision for Newfoundland and Labrador is of an enterprise culture where a self-reliant society builds on the innovation, productivity and creativity of its people, its distinctive culture, and the unique advantages conferred through nature and geography. The role of government in economic development should be to create a positive economic and social climate so that both investors and workers in the private sector can respond to signals and opportunities in the marketplace. In so doing, the ideals of productivity, quality, profitability, and a passion for excellence must be adopted by business, government and workers as part of a new ethic of competitiveness aimed at creating long-term economic wealth for our Province.

This vision is based on an understanding that Newfoundland and Labrador has to expand its position within the international economy, a position which has usually been limited to the supply of semi-processed and raw materials to foreign markets. The Province must produce more finished and sophisticated goods and services for local, national and international markets. Despite many attempts at diversification, years of regional development programming and extensive income transfers from other Canadian provinces, the Province's relative economic position as measured by earned income has not improved significantly over the past 20 years, ranging from 55-60 percent of the national average. Without transfers and regional development programs, however, the Province would have fallen further behind the national average.

In the past, when the economy has been confronted by changes in technology and losses of international markets, the results have been increased unemployment and minimal income growth. Changing this pattern and building a more resilient economy must therefore be central to an economic development strategy.

Goals

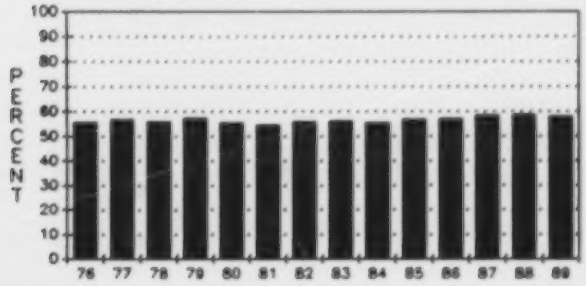
Strategic plans must have goals against which to measure progress; therefore, an effort should be made to develop quantifiable goals to chart the progress of the strategic plan. While the limitations of statistical indicators as a way to measure true economic progress are recognized, they are a fundamental part of a good planning exercise. Per capita earned income, per capita gross domestic product (GDP) and the unemployment rate are commonly used, well-understood indicators, and the Province's position compared to Canada as a whole is shown in Chart 1 for these indicators. Nevertheless, additional indices need to be developed or used to measure progress such as the extent of industrial diversity, educational attainment, entrepreneurship, urban/rural disparity, total productivity, and technology transfer and innovation. Once developed, short- and medium-term targets can be chosen as a basis for evaluating success.

Our Strategic Economic Plan must be based on reality and recognize the limits to economic growth in the short to medium term. Too often, when setting objectives for economic growth in the Province, the Canadian average has been regarded as a reasonable medium-term target. Realistically, however, as shown in Table 1, this goal is probably not attainable. Over the medium term (5–10 years) – depending on a Canadian rate of growth between 0% and 3% – the provincial GDP would have to grow between 5% and 13% a year to reach the Canadian average.

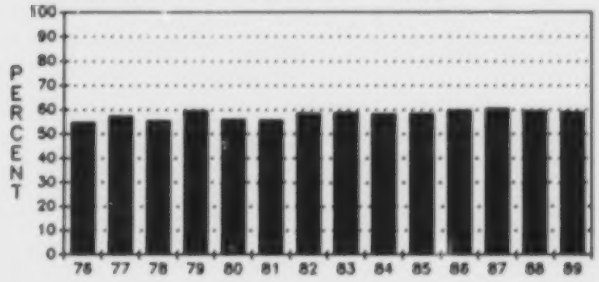
Selected Indicators as a Percent of the Canada Level

(per capita, 1976-89)

EARNED INCOME RELATIVE TO THE CANADA LEVEL



GDP RELATIVE TO THE CANADA LEVEL



UNEMPLOYMENT RATE RELATIVE TO THE CANADA LEVEL

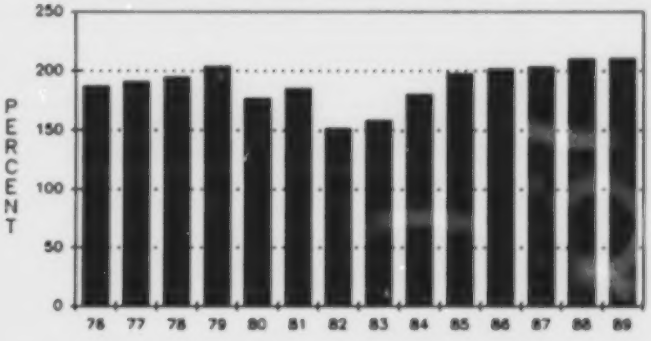


Chart 1

SOURCE: STATISTICS CANADA 13-213, 71-201, 91-210

Table 1: Growth Requirements
In Real Per Capita Gross Domestic Product
For Newfoundland and Labrador to Equal National Level

Average Annual Growth in Canadian GDP Per Capita

Time Span	0%	1%	2%	3%
Required Average Annual Growth in Province's GDP Per Capita				
5 Years	10.1%	11.2%	12.3%	13.4%
10 Years	4.9%	6%	7%	8.1%
15 Years	3.3%	4.3%	5.3%	6.4%
20 Years	2.4%	3.5%	4.5%	5.5%
25 Years	1.9%	3%	4%	5%

This table does not consider varying rates of growth in population for Newfoundland and Canada. As well, the table is per capita GDP and not total GDP. If Newfoundland's population grows at the same rate as Canada's the above rates can also apply to total GDP. If, however, the population growth rates vary between Newfoundland and Canada, total Newfoundland GDP could need to grow faster or slower.

Growth estimates are based on real per capita GDP for Canada and Newfoundland from the Conference Board of Canada's October 23, 1990 forecast. This forecast estimates real per capita GDP in Canada at $19,197 and in Newfoundland at $11,863. Source: Economic Research and Analysis Division, Cabinet Secretariat.

Given this fact, it would be appropriate to set planning targets for the next five years based on the realistic potential of the Province's economy rather than on attaining the national average. Of course, comparisons with the rest of Canada are useful as measures of our relative standing and as a basis for negotiating with the federal government for greater equality in the nation, but realistically, reaching the Canadian average would be more suitable as a 20– or 25–year target.

Therefore, as we develop goals based on our understanding of Newfoundland and Labrador's economic strengths, weaknesses and potential, and the need for fiscal prudence, we should be guided by the following principles and objectives:

- economic growth should be generated and managed principally from within the Province, as part of a development strategy to which the people of the Province are committed;

- the Province should diversify its exports by building and expanding upon its comparative advantages and developing productive enterprises which can trade with the world;
- well-educated and creative people are needed to develop, manage and work in these enterprises, and they must use the competitive advantages of science and technology where appropriate;
- government should not own or operate businesses and should divest assets and activities to the private sector wherever appropriate;
- government, through appropriate and prudent support, should encourage the private sector to be the engine of growth;
- government should focus on growth opportunities and provide support to the business sector through appropriate policies in education, science and technology, labour relations and marketing, and financial incentive or support programs;
- environmental sensitivity and the principle of sustainable development should be pursued by business and government as integral parts of economic growth.

3

THE PROVINCIAL ECONOMY IN PERSPECTIVE

The Economy Today

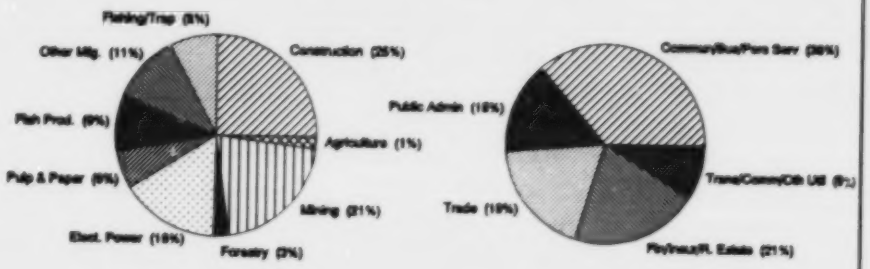
Newfoundland and Labrador's small, open economy faces many challenges and remains underdeveloped because of such interrelated structural problems as its being narrow and resource-based, having a small, widely-dispersed population, a labour force which requires new skills to participate in today's highly competitive marketplace, a lack of technological innovation and diffusion, and an overdependence on governments. Since the mid 1970s, the Province's economy has generally mirrored the direction, but not the magnitude, of Canada's economic growth. Since 1975, the our per capita economic output has remained low, averaging less than 66% of the Canadian average. The difference in unemployment rates has ranged from a low of 1.6% in 1970 to a high of 10.3% in 1985, with its unemployment rate being consistently twice the national average since 1986.

Newfoundland and Labrador's economy is very "open", which means that economic activity is heavily influenced by the direction and magnitude of economic activity elsewhere; this is largely due to the Province's reliance on resource-based exports. As shown in Chart 2, the goods-producing sector (including the resource industries) accounted for 31% of the Province's gross domestic product (GDP) in 1989, while the services sector accounted for 69% of GDP and 72% of employment. As in other provinces and countries, the services sector here is still a growing component of the economy.

The amount of personal income available to support consumption expenditures within the Province is a major determinant of economic activity and the living standards which residents of the Province can enjoy. The amount of tax revenue which is available to government for expenditure on public goods such as education, health and transportation infrastructure, for example, is also influenced by both the level and distribution of personal income. It is therefore important to understand the components of personal income: labour, business and investment income, unemployment insurance (UI) benefits and other types of transfer income. The relative importance of these components to personal income in the Province is shown in Chart 3.

Distribution of GDP

Newfoundland and Labrador, 1989



Goods-Producing Sector
(31.2% of Total GDP)

Services Sector
(68.8% of Total GDP)

Chart 2

Source: Newfoundland Statistics Agency

Distribution of Personal Income

Newfoundland and Labrador, 1989

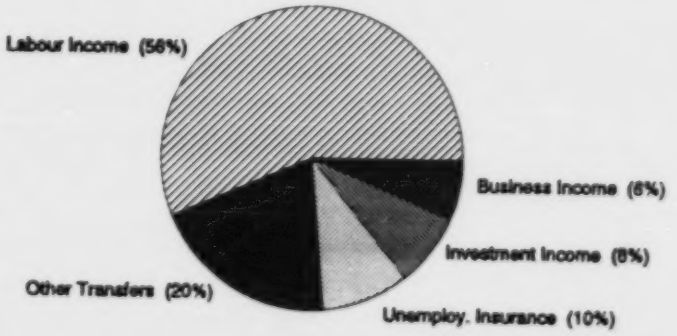


Chart 3

Source: Statistics Canada 13-213

Transfer payments to individuals represent the second largest component of personal income in the Province and include such items as UI benefits, social assistance, family allowances, pensions and old age security payments. Some components of transfer income, such as family allowances and old age security payments, are primarily related to demographic and social factors, while others, such as UI payments, are related to employment (and especially part-year, or seasonal, employment) and the level of economic activity in the Province.

If the economies of Newfoundland and Labrador and Ontario, for example, are compared, it is instructive to examine the proportion of income in each Province that is generated through economic activity (*i.e.* earned income) versus the proportion that is transferred from various levels of government. In 1988, a representative year, labour income accounted for an estimated 56.4% of personal income in Newfoundland and Labrador as compared to nearly 68% in Ontario. Earned income represented 70.4% of total personal income in Newfoundland and Labrador, but nearly 89% in Ontario.

The dependency on transfer payments is much higher in Newfoundland and Labrador than in Ontario. In 1988, transfer payments in this Province accounted for almost 30% of personal income while in Ontario they accounted for only 11.3%. The extent of Newfoundland and Labrador's dependency on the UI program, which is designed to compensate for disparities in employment and unemployment, is highlighted by the fact that UI payments gave rise to almost 10% of total personal income in Newfoundland and Labrador in 1988; in Ontario, UI accounted for only about 1.1% of total personal income.

To better understand comparisons between Newfoundland and Labrador and other provinces such as Ontario one simply has to look at the goods-producing sector and the services-producing sector of the provinces. The goods-producing sector includes primary industries (agriculture, forestry, fishing/trapping, mining) and secondary industries (manufacturing, construction, utilities). The services-producing sector is composed of dynamic services (transportation and communications, wholesale trade, finance, insurance, real estate, business services), traditional services (retail trade, accommodations, food and beverages, amusement and recreation, personal services) and non-market services (public administration, health, social services, education).

The two sectors are usually closely linked and interdependent. As recent studies have shown, the growth of employment in services depends upon and complements the development and modernization of goods-producing industries, especially manufacturing, which requires more services as it

expands.[1] For instance, since 1975, real output in Canada's services-producing sector has grown in concert with the goods-producing sector. In Newfoundland and Labrador, however, the services-producing sector has grown strongly despite limited growth in the goods-producing sector. Transfer payments to the Province have played and continue to play an important role in the growth of our services sector.

Newfoundland and Labrador produces relatively few manufactured goods, and a comparison to the more diversified, manufacturing-oriented economy of Ontario highlights the inherent problems of our resource-dependent economy. In Newfoundland and Labrador, the manufacturing industry is less than one-third of the goods-producing sector's per capita GDP, whereas in Ontario manufacturing makes up more than two-thirds of this amount. Newfoundland and Labrador is thus economically vulnerable because it is selling a limited number of goods in a limited number of markets. Ontario, on the other hand, exports a wide array of manufactured products to many different markets, making its economy both more stable and less vulnerable.

More than in the rest of Canada, goods-producing employment in Newfoundland and Labrador is also concentrated in seasonal industries, especially in fishing and fish processing. This also means that some services which cater to these industries are also seasonal. Seasonal employment also means significantly lower productivity levels, lower rates of capacity utilization in our manufacturing facilities and lower annual incomes.

Because of its greater diversification, the Ontario economy has also been experiencing greater expansion of dynamic services, whereas our services sector growth has been more rapid among traditional services. Moreover, most of our services are consumed within the Province. However, there are exceptions such as tourism and ocean and offshore-related research and development. Growth in dynamic services is desirable because, like the goods sector, dynamic services industries have a greater stimulative effect on the economy than traditional and non-market services. While Newfoundland and Labrador cannot expect to develop an economy like that of Ontario in the short or medium term, these comparisons reinforce the need for this Province to diversify and develop its economy.

The necessary diversification and development of the Province's economy will only occur if government, business and labour work together to carry out a strategic economic plan.

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[1] OECD, *Employment Growth and Structural Change*, Paris, 1985, p.152, and Economic Council of Canada, *Employment in the Services Economy*, Supply and Services Canada, Ottawa, 1991, p.39.

The Global Environment

Structural changes which have taken place, and which are continuing to take place, in the national and international economies have fundamental implications for the Province's economy. The 1980s saw a major increase in trade among nations, the result of which has been both greater economic opportunities and more intense global competition among firms and national economies.

Some of the economic realities that affect the Province's economy today are

- the globalization of economic activity, an effect of more liberal world trade, where businesses and consumers increasingly turn to international markets for goods and services; domestic loyalties are declining as business and consumers are primarily interested in the competitiveness of the product they are buying;
- the emergence, within the world trading system, of major trading blocs, which include joint ventures and technology sharing between firms in different countries;
- a gradual shifting from labour-intensive to knowledge-intensive industries, particularly in developed countries where labour costs are higher; this shift has required investment in new technology and education and training as a means of attaining and improving industry competitiveness;
- technological innovations and advances in transportation and communications have reduced the effective distance between producers and consumers and are both widening the scope of goods and services traded internationally and contributing to the development of new tradeable goods and services;
- traditional impediments to development, such as market size and distance from markets, playing a lesser role in a company's location decision, particularly in the case of high-value-added, knowledge-based industries;
- global integration of financial and product markets, creating complex, world-wide economic linkages among investors, producers and consumers and creating opportunities for increased economic activity;
- the increasing integration of environmental considerations in the decision-making processes of governments, industries and individuals;
- traditional resource sectors contributing less rather than more to earned incomes and employment growth in Canada and its regions;
- competition and comparative advantage in Canada being based increasingly upon specialization among national urban centres;

- the new economic environment attracting industry to larger centres outside of the Province, thereby increasing regional disparity in Canada;
- freer trading arrangements which will mean less reliance on large-scale locational grants and subsidies for exporting firms, and which will require a greater emphasis on policies of general application in support of technology, innovation, education, training, infrastructure, small business and entrepreneurship.

Conclusion

The Province's economy is underdeveloped, and economic disparities between the Province and the rest of Canada persist. The economy's increasing overdependence upon governments and transfer payments is a situation that cannot be sustained. At the same time, the Province's existing resource industries face many challenges.

To achieve its economic potential, and realize the vision stated above, Newfoundland and Labrador needs a much larger and much more diversified economic base. With a small domestic market of fewer than 600,000 people, external markets must be accessed in order to generate the levels of wealth necessary to meet our employment, income and public services needs. The Province, therefore, must take an outward, export-oriented approach to economic development and build a diversified, internationally-competitive economy.

For this to happen, fundamental changes in attitudes, government policy and industrial structure are required. The Government recognizes that structural and other deep-rooted problems inherent in the provincial economy will require concerted effort to correct. The *status quo* cannot continue. It is clear that the Province's prospects for future economic development will hinge on a willingness and determination to develop a diversified, internationally-competitive economy within the current, highly competitive, global economic environment.

4

DIVERSIFICATION AND DEVELOPMENT PROSPECTS

This section describes the main resource sectors and major industrial developments in the Province and outlines some of the future opportunities and options that have been identified in each area. One of the chief purposes of the present public consultation process is to review these choices and to listen to suggestions for new ideas and new directions.

Existing Resource Industries

Agriculture

Agricultural activities in the Province include the production of vegetables and other crops, as well as livestock and livestock products such as eggs, milk and ice cream and meat products. This industry generates approximately 1600 person-years of employment annually. It is important as a source of employment in some rural areas of the Province and as a food source for all residents. Although much of the food consumed is imported, local production reduces the Province's dependence on imports and helps to ensure that fresh and healthful products are available in all parts of the Province.

Even though agriculture production accounts for less than half of one percent of our total GDP, food processing, transportation and retailing add significantly to both the value and economic importance of this sector.

Prospects

The recent Report of the Task Force on Agrifoods identified a number of opportunities for expansion in the agricultural sector. These include

- poultry – the Province now satisfies only half of our total demand for chicken and produces very little turkey

- dairy products – though nearly self-sufficient in fluid milk, our per capita consumption is only about half the national average; other long-term opportunities may exist for industrial milk production (used in such products as cheese and yogurts)
- sheep and pork – the Province produces only a small percentage of consumption but expansion will depend largely on improvements in production, processing and marketing systems and costs
- fur – fox and mink are well established, but lynx and pine marten offer good potential
- fruit and vegetables – higher production
- all sectors – more secondary processing.

The Report also stresses the importance of an adequate land base for viable agriculture. Since the supply of arable land is very small in Newfoundland and Labrador, it is vital to protect it and use it to its maximum potential.

Government Action

- As proposed by the Task Force Report, Government should now implement an agriculture development strategy.
- Government should identify a suitable agricultural land base and take the necessary action to protect and better utilize these lands.

Fisheries

The Province's fishing industry is characterized by considerable structural diversity in its harvesting, processing and marketing sectors. In 1989, it was estimated that the harvesting and processing of fish in this Province accounted for about 17% of GDP in the goods-producing sector and about 5% of total GDP.

The fishing industry is the largest goods-producing employer in Newfoundland and Labrador, providing over 19,200 person-years of employment in 1990. This was about 42.7% of employment in the goods-producing sector and 9.5% of total employment in that year. Approximately 11,000 person-years of employment were accounted for by primary fishing activities and over 8,200 by fish processing. Much of the employment in this industry is part-year, or seasonal, in nature. As a result person-year figures understate the number of individual people involved in the industry which approximates 31,000 including 13,000 full-time fishermen and 18,000 plant workers.

The fishing industry is very dependent on export markets, and in the past it has exported fish products to such markets as the United States, Europe, Asia

and mainland Canada. The major market for the industry's product, however, is the United States. It is estimated that in 1989 approximately 71% of the value of fish products exported from Newfoundland and Labrador to non-Canadian markets went to the United States. The performance of the fishing industry, in the absence of supply-side constraints, depends therefore largely on conditions in the American seafood market.

The Province's fishery is currently experiencing resource problems stemming from a reduction in fish stocks. The sectors which have suffered the most from quota reductions to date are the Gulf Inshore sector on the West/ Southwest Coast of the Province and the Offshore sector mainly on the South Coast.

The overriding priority for the future health of the fishery is conservation. A commitment to a program of stock rebuilding is of vital importance to the Province's economic recovery, and proper management measures must be taken to ensure this. To accomplish this, major quota reductions have been made and further cuts may be necessary.

Where significant quota reductions are needed to rebuild stocks, such reductions will have a negative social and economic impact in the short term. The Province's position is that the federal government must put in place an appropriate response program to alleviate the impact of such conservation measures. As manager of the resource, the federal government has an obligation to compensate those affected by quota reductions, as it has done in the case of the Prince Edward Island potato blight. It should be noted, however, that the case for fisheries is even more compelling, given the dominant role played by the provinces in the agricultural sector as opposed to the dominant role of the federal government over fisheries.

A critical problem is that of foreign overfishing which has had a devastating impact on flatfish and cod stocks on the Grand Banks and poses a serious threat to the rebuilding of Northern cod. The refusal of the European Community (EC) to accept quotas established by the Northwest Atlantic Fisheries Organization (NAFO), announced in December 1990, is a major setback. New approaches are necessary to address European overfishing and to control fishing by non-NAFO members. In 1990, for example, the European Community was allocated a total quota of 15,377 tonnes of regulated species in the NAFO regulatory area. The EC established its own unilateral quota of 59,400 tonnes but actually caught 97,750 tonnes.

The Province has serious concerns with the 1991 Groundfish Management Plan in terms of stock rebuilding. Total allowable catches (TACs) have been set at high levels which allow little opportunity for rebuilding depleted stocks. Northern cod and Gulf cod are of particular concern.

The TAC for Northern cod has been set at 190,000 tonnes for 1991 within the context of a three-year plan which sets the TAC at 185,000 tonnes in 1992 and 180,000 tonnes in 1993. These levels are much higher than recommended by the Harris Panel on Northern cod. These TACs do not include the catches taken by foreign fleets. The European Community has set a unilateral quota of 27,000 tonnes for 1991, and based on the 1991 level of EC effort, this level will be greatly exceeded. Excessive fishing poses a threat to the stability of the resource, although the projected numbers of young fish in the 1986 and 1987 year classes are higher than has been typical during the past 20 years. This could help to offset further reductions in the 2J and 3KL quota for 1992.

The Gulf cod stock is in a serious state of decline. The 1991 TAC has been set at 35,000 tonnes, down from 58,000 tonnes in 1990, but the split between the fixed gear and mobile gear fleet has been altered in favour of the latter. This has the effect of negating the conservation benefit of the quota reduction. Our scientific knowledge of the condition of this stock is inadequate. Further management action will be required to achieve stability. The depletion of this stock represents a major resource problem for this Province and one which is perhaps more serious than the state of the Northern cod stock, which has been the subject of greater public attention.

All major groundfish stocks, Northern cod, Gulf cod, along with cod and flounder on the Grand Banks, are in trouble. The rebuilding of these stocks is imperative in order for the Province to achieve economic recovery. Further steps must be taken both to address the problem of foreign overfishing and to ensure stock rebuilding.

In making recommendations regarding the long-term development of the fishing industry, it is important that competitiveness and viability be guiding principles. The industry, and its component parts, should be self-sustaining without frequent resort to government financial assistance. Our objective should be a self-reliant and economic fishery.

It is also vital that there be a balance between inshore and offshore, and between those using small boats and those with larger vessels. This is critical if rural community dependence on the fishery is to be accommodated.

Structural Issues. The present resource crisis has brought the issue of industry structure into sharp focus. The industry can be managed in a manner which maximizes jobs, unemployment insurance and community stability, or it can be managed to realize the most efficient mix of labour and capital in order to maximize incomes. If the latter route is chosen, it would assuredly require a reduced number of people in the industry. However, it is important that we be realistic and recognize that any movement toward such a fishery will be a slow process. Any such transition could only be

possible in an environment where individuals would have a choice either to stay in the fishery or move into other employment opportunities.

A policy of strengthening the inshore sector would create higher incomes for fisherpersons and plant workers. These higher incomes will raise the level of both savings and consumer spending. Increased savings will increase investment in rural Newfoundland and Labrador and will create a stronger economic base. Higher consumer spending will generate more economic activity in the rural Newfoundland and Labrador economy. Higher incomes in the fishery may, therefore, create induced economic activity outside of the fishery which will partially offset any employment losses.

The problems associated with change are also evident. People will not always have alternative employment opportunities in or near their home communities. Employment reductions in the fishery will inevitably result in social problems in the absence of such opportunities. The real solution to some of the structural problems in the fishery, in the long term, requires economic diversification in those areas of Newfoundland and Labrador where changes in fishery employment would occur. However, it must be emphasized that the fundamental problem and the major opportunity is stock rebuilding. Without conservation and resource growth the future of the fishery is clouded with uncertainty. With reasonably rapid stock recovery the future prospects are bright.

In a highly competitive international environment, Newfoundland and Labrador companies must be allowed to make business decisions which are necessary to remain competitive. In particular, industry must stay abreast of current technology through modernization of plant and equipment. Government's long-term strategy should be to allow the industry to increase its efficiency and competitiveness. Adjustment programs will be required to provide structural adjustment. Economic diversification programs, such as those outlined in this document, as well as community-based planning, can facilitate industry adjustment. The income from an efficient industry, with benefits captured inside the Province, will be a significant contribution to economic development.

These structural considerations do not imply that the fishery is a declining industry. In fact, the business and employment prospects are extensive, and warrant appropriate Government support. These are outlined later.

The Future of the Inshore Sector. The fishery of the future should be less seasonal, particularly in the inshore sector. The inshore fishery has generally been characterized by low productivity and limited secondary processing. With some notable exceptions, this sector is predominantly a commodity industry. The offshore sector has been restructured and opportunities should

be pursued to strengthen the inshore sector, to achieve a balanced fishery, with strong inshore and offshore components.

On the harvesting side, this will require continued support for the development of larger vessels and for the movement of those qualified professional and independent inshore operators who choose to move from small boats into larger vessels, with greater mobility and greater versatility to access different fish species and fishing seasons. Such a move to larger vessels will involve a relatively small number of vessels and operators. Small boat operators will continue to play a critical role in our economy and their viability will be enhanced as their catches improve in the future through stock rebuilding and conservation.

The future evolution and development of the Province's fishing fleet will reflect the need for greater conservation and gear selectivity. A fleet of larger longliners would have the flexibility to access a wide range of different fish stocks, fishing primarily with highly selective and energy efficient fixed gear, rather than mobile gear.

The Department of Fisheries is presently reviewing the programs of the Fisheries Loan Board. In this review, attention is being focused on the need to shift the emphasis towards vessels with low energy cost and with a conservation bias.

On the processing side, there is a need for a better balance between processing capacity and landings, both regionally and for the Province as a whole. At present, the utilization factor in the inshore processing sector is in the order of 20%. Through continued discipline by Government in the provision of financial assistance, a more viable balance between primary processing capacity and groundfish landings can be achieved over time.

While there is an excess of primary processing capacity in the groundfish sector, there are measures which can be taken to reduce seasonality and to facilitate movement into high-valued products. With proper resource management and stock rebuilding, it will be possible to reinstate the Resource Short Plant Program. Such reinstatement, combined with lengthening the operating season of larger inshore vessels, will reduce processing seasonality and improve the productivity and profitability of inshore plants. With improved profitability, the inshore sector will have greater access to capital for modernization purposes. Such improved access to investment capital is needed to allow the inshore sector to move toward more value-added and secondary processing.

To achieve greater diversification and to make significant progress in secondary processing, there are a number of prerequisites. In addition to reduced seasonality and improved continuity of supply, there must be a

stronger presence in the market place. This may require consolidation of marketing operations by inshore firms through the formation of marketing consortia or stronger linkages with the marketing capability of large vertically-integrated companies.

Rural communities have traditionally been one industry towns centred on the fishery. The current problems associated with the fishery point out the further need to give people in these communities the chance to broaden their skills so they can take advantage of other opportunities which will follow from the successful development and management of the fishery, including the exploitation of underutilized and higher-value species. This will also provide them with a better foundation to seek job opportunities in other sectors.

Accelerated education programs for persons engaged in the fishery must be an absolute priority. The Department of Fisheries, in concert with the Department of Education, the Marine Institute and Memorial University should take a leadership role in the introduction of new programs of education which will lead to higher levels of technological innovation and improved management. These educational programs should cover harvesting and processing, with particular emphasis on management, quality control and new technology and, to ensure accessibility, should be delivered through the Community College structure whenever possible. The Department of Fisheries proposes that access to financial support from the Fisheries Loan Board be made more contingent upon educational prerequisites relating to management education, safety education and technical training. Similarly, any financial support to the processing sector should be linked to managerial and technical prerequisites. Issuing processing licences would also provide support for these educational objectives.

In order to encourage greater productivity in the fishing industry, Government should take a leadership role in technological transfer. The Department of Fisheries proposes to enhance its capability to introduce new technology in concert with the Centre for Fisheries Innovation, the Marine Institute and Memorial University and to transfer this technology to the industry. The slow pace of technological innovation and adaptation in the Newfoundland and Labrador inshore fishery in particular has been well documented. Further improvements in this area are critical to the sector's future performance.

Prospects

One way to reduce the impact of the resource crisis is to increase the focus on other industrial opportunities related to the fishery. Several development opportunities have been identified: aquaculture, harvesting underutilized species, secondary processing and the sealing industry. While offering some hope for a stronger and more diversified fishing industry in the future, these

opportunities will not compensate for the reduced availability of groundfish, at least in the short to medium term.

Aquaculture. Aquaculture has the potential for economic growth, as the following table indicates. However, the extent of this growth is small in comparison to the potential that can be realized if the major groundfish stocks can be regenerated.

Year	Projected Export Value	Projected Direct Employment (PYs)
1990	$1,400,000	24
1991-92	2,700,000	30
1993-95	22,200,000	230
1996-2000	100,000,00	700

Underutilized Species. There is considerable potential to harvest those fishery resources which are now being harvested at a level significantly below what the stock can support. There are also quotas of traditional groundfish species which in certain areas have not been harvested in past years and which, in 1990, have been incorporated in an "underutilized pool" to which non-traditional user groups, some from other provinces, have been provided access. In some cases these stocks are not really underutilized and attempts to increase landings are unjustified. In the case of genuinely underutilized species with commercial potential, the Province must make a concerted effort to use these resources or else lose them by default. There are a number of species which offer development opportunities, some of which are

- Snow Crab in Labrador – this resource, which has only recently been identified, can support 5–7 full-time vessels and one additional plant. Plans are now under way to convert the existing groundfish plant at Cartwright and to provide incentives for people to enter this fishery;
- Scallop resource on the St. Pierre Bank – this fishery has been developing over the past few years and is vital to reopening of the Grand Bank Plant which will process Icelandic scallops and surf clams;
- Grenadier on the East Coast – the TAC for this species in areas 2+3K for 1990 is 11,000 tonnes, of which only token quantities will be taken; Canadian industry has little experience in utilizing this resource, but current shortages in world markets of traditional groundfish species have opened significant opportunities for commercializing this resource, the flesh of which is very acceptable to U.S. markets;
- Eel fishery – in 1990, the total harvest of eels was about 136 tonnes, which provided about $600,000 to 300 to 400 people. It is projected that this fishery could harvest 454 tonnes annually ($2 million value) in the

medium term (3–5 years) and 900 tonnes a year ($4 million value) in the longer term (6–10 years);

- Skate – there is an estimated 80,000 tonnes of skate located on various fishing grounds adjacent to the Island and southern Labrador. Poor market demand has been the traditional reason for low landings but developments in minced fish technology, surimi, and the general world-wide shortage of traditional species may provide opportunities for this very significant resource.

Secondary Processing. With the current crisis in the fishery, fish plants can no longer depend on increases in volumes of fish to improve their financial viability. Attention must now centre on more effective utilization of available resources through secondary processing and by-product development. Also, there is an available work force throughout the Province which could be trained for this type of work. The basic infrastructure is also available through the existing inshore plants as well as those offshore processing facilities presently experiencing down time or closure due to resource difficulties.

The Free Trade Agreement between Canada and the United States, over the long term, holds potential to open extensive markets for many existing and new fish products.

The Department expects little improvement in secondary processing in the short term. In the medium to long term, significant improvement is possible, as the following table illustrates.

Year	Projected Export Value	Projected Direct Employment (PYs)
1989	$28,500,000	123.5
1990-91	38,400,000	148.2
1992-95	45,500,000	172.9
1996-2000	54,300,000	212.1

The Sealing Industry. In an attempt to accelerate revitalization, Government has adopted a proactive approach to developing the sealing industry.

In line with Government's positive attitude towards the sealing industry, a planning committee was assembled to prepare a long-term development strategy. This committee consisted of representatives of the Departments of Fisheries and Development and the Economic Recovery Commission. As a result of these committee meetings and consultation with industry representatives, a sealing industry development strategy has been proposed that focuses on research, development and marketing of seal products as opposed to

short-term solutions in the form of subsidies for a hunt based on the market for pelts. The primary focus is complete utilization of all animals harvested, particularly seal meat, with skins and oil being looked upon as by-products. The strategy proposes several research and development projects related to seal meat for human consumption, utilizing the services of both the Marine Institute and Memorial University. The strategy also proposes extensive exploration of markets for seal meat products. In particular, a concerted effort will be directed towards marketing top quality seal meat products in Japan.

The strategy also includes a concerted effort toward the development of a seal leather industry. In 1990, nearly 50,000 pelts were processed for tanning through a new company, Northern Resources Limited, a consortium of the North East Coast Sealers Cooperation, Canada Blue Tanning Limited and Enterprise Newfoundland and Labrador Corporation. This initiative has been successful in producing high-quality leather, which is currently being test-marketed in Europe and Asia.

It is estimated that the seal resource can be developed into a $15 million industry, provided the currently ongoing development initiatives come to fruition.

Resource Management. Although resource management in the fishery is under federal jurisdiction, a provincial perspective on this issue must be forcefully presented to the federal government so that resource decisions complement provincial economic policies. One means to improve coordination is to achieve joint management of fisheries with the federal government. In accordance with Recommendation 2 of the Royal Commission on Employment and Unemployment, a proposal on joint management has been included as part of the Government's forthcoming White Paper on Fisheries. One option which might be considered would be modeled on the Canada/Newfoundland Offshore Petroleum Board under which both governments would delegate specific functions (such as vessel licensing, setting quotas, licensing of operators, licensing of fish plants) to a single organization. Joint management would not only provide for greater coordination and clarity in the fishing industry, but the enhanced role for the provincial government would give this Province a greater voice in fishery management decisions.

Joint management would provide a mechanism whereby the federal and provincial governments could put into effect a comprehensive fisheries development plan for the inshore and offshore sectors. A federal/provincial Management Board would bring together the necessary decisions on harvesting and processing and co-ordinate other support programs such as education and technological innovation. Joint management is therefore critical in setting new directions for the fishery of the future.

Stock regeneration also presents significant opportunities for higher incomes, increased employment, and improved business viability. These opportunities will only be realized if strong action is taken to rebuild fish stocks through improved conservation measures and effective controls on foreign overfishing.

Thus, the best opportunity for economic development in rural Newfoundland and Labrador is the rebuilding of key groundfish stocks, which are the base of the inshore and offshore fisheries. In the 1988 report *Resource Prospects for Canada's Atlantic Fisheries 1989 - 1993*, estimates of the long-term potential yield for various stocks indicate that, if properly managed, the potential exists for a doubling of the current levels of harvest from a rebuilt resource.

More recent scientific information is less optimistic and suggests that long-term projections may have been unrealistically high, given the lower levels of recruitment seen in the past 10 to 15 years. For example, the 85,000 tonnes potential estimated for 3NO cod may actually be in the 50,000 to 60,000 tonne range, yet considerable potential for growth exists, given the current TAC level of 13,600 tonnes.

Based upon discussions with industry and the scientific community, it is believed that a 50% increase over present levels of harvest is attainable over the longer term. However, such growth is totally dependent upon the control of foreign overfishing and proper management of the resource.

Government Action

- Government should actively pursue its joint management objectives with the federal government. If achieved, joint management will allow the Province to pursue a more integrated approach to fisheries development.
- The Province should develop a comprehensive policy on foreign overfishing and continue its discussions with the federal government on those actions which are necessary to bring foreign overfishing to an end. Such a policy should outline steps to improve the effectiveness of NAFO, correct the objection procedure which enables dissenting countries to set their own unilateral quotas, and the development of measures which are necessary to extend management control to the edge of the continental shelf.
- Government should work with Memorial University and the Marine Institute to strengthen the Province's capability in fisheries research, fisheries resource management and the training of highly competent fisheries managers and technically skilled workers.
- Government should discourage programs which expand capacity in the primary processing of groundfish because of existing excess capacity in this sector.

- The Department of Fisheries should continue to carry out its mandate in aquaculture research, development, technology transfer and liaison with federal and provincial agencies as well as the regulation of the industry. Government should also consider programs which can provide financial assistance to foster speedy aquaculture development; however, economic viability must be the foremost consideration.
- Governments should continue to support efforts to investigate new stock potential by funding exploratory surveys and pilot projects to assess stock sizes and commercial potential.
- Government should make efforts in the area of market development and new product development for underutilized species.
- Government should identify possible marketing opportunities which will set the direction for sound product research and development associated with secondary processing opportunities.
- Government should ensure that continued services of education institutions such as Memorial University and the Marine Institute be utilized for research and development of new processing opportunities, with the focus being "market driven" by industry participation rather than a general research and development approach.
- Government should increase efforts to assist industry with the acquisition of new and innovative equipment for value added products.
- Government should develop a long-term plan for enhancing value added and secondary processing by the inshore sector.
- Government can facilitate a much greater exposure of Newfoundland and Labrador products in the international marketplace by assisting companies to work directly with Canadian and foreign companies which specialize in value-added products and through promotion and advertising in target markets (*e.g.* caplin in Taiwan).
- Government should continue efforts in the area of technology transfer through the support of workshops, seminars and technical exchanges.
- Government should provide interim technical assistance to industry during the transformation of processing technology into the commercial stage.
- Government should undertake a promotional campaign to highlight specific secondary processing opportunities for possible joint ventures and/or foreign investment.
- Government should insist on quality improvement and impose further regulatory control if industry does not implement such measures voluntarily. The *Fisheries Inspection Act* should be the principal vehicle to achieve this objective.
- As part of a strategy for full utilization of the seal including food, fur, hide and oil, the Province should continue to support new product

development, such as the joint venture arrangement in which it is now participating.

Forestry

The forest industry, which is largely concentrated on the Island, comprises both primary activities, including harvesting and forest management, and secondary processing of wood into such products as newsprint and lumber. This industry accounted for about 9% of GDP in the goods-producing sector in 1989 and about 3% of total GDP.

The industry (primary and secondary activities included) provides employment for 10,000 – 12,000 people annually. Much of the employment in primary forest activities, which accounts for about one-third of total forestry employment, is seasonal or part-year.

The industry is very much export-oriented, shipping newsprint to markets all over the world but primarily to the United States, South America, Central America and the Caribbean, Europe, the Far East, and other parts of Canada.

Over the past five years two of the pulp and paper mills in the Province have been modernized to improve quality, increase efficiency and reduce pollution. Approximately $227 million has been invested in the Corner Brook mill and approximately $47 million has been invested in the Grand Falls mill. The third mill at Stephenville was already a modern facility. Considerable further investment is needed both at Grand Falls and Corner Brook to continue to improve upon the quality of product, mill efficiency and environmental compliance.

While the pulp and paper industry accounts for approximately 75% of the economic activity in the Province's forest sector, the sawmilling, commercial fuelwood, resource management and protection, and converted wood products industries occupy secondary, but essential roles, particularly in maintaining the economic well-being of many rural communities.

Prospects

There appear to be no major opportunities on the Island of Newfoundland for expansion of this resource-based industry in the short to medium term because of the lack of an adequate wood supply, although there are opportunities for small-scale developments based upon better utilization of existing resources. There are also employment prospects in the management of the resource both on private and public lands.

In Labrador, there are concentrations of productive forests in the Lake Melville region near Happy Valley-Goose Bay suitable for the establishment of a stable, forest-based industry. From a resource utilization point of view, the most desirable opportunity is the development of an integrated pulpmill and a sawmill operation. Concerted efforts have been made in the past, and are continuing, by Government to try to attract Canadian and foreign investors to develop this resource. However these efforts have been unsuccessful to date except for export pulpwood operations. Southern Labrador also offers potential for harvesting timber for domestic use or export. Completion of the Trans Labrador Highway will increase the opportunity for development of these resources.

The long-term expectation for the pulp and paper industry is that output will remain stable, although a potential wood supply deficit will exist on the island portion of the Province early in the next century. This deficit can be overcome by investments in roads, silviculture, and mill efficiencies, by improved utilization of the resource, and by other measures.

Government Action

- To ensure the maximum utilization of the available resource on the Island, a suitable forest land base should be designated and action taken to introduce modern forest management practices. The new *Forestry Act* will help achieve these objectives.
- As one means of addressing the medium to long-term wood supply problem, Government and industry should implement an adequate long-term silviculture program financed in part through cost-shared agreements with the Government of Canada.
- The Province should ensure that there is an adequate program in place to protect the forest from fires and insects.
- In terms of maximizing resource utilization, Government should identify specific measures to improve domestic and commercial harvesting operations; develop and enforce higher standards; expand the access roads network; examine methods to improve manufacturing efficiency, especially in the sawmilling industry; and assist industry in identifying opportunities for diversification into higher-value products.
- Government should continue to promote opportunities for the development of resource in Labrador, including the completion of the Trans Labrador Highway.
- Government should thoroughly assess the merits of expanding private woodlot operations.

Mining

The mining industry continues to be one of the leading resource-based industries in the provincial economy and is expected to continue in that role throughout the coming decade. The industry accounted for approximately 21% of GDP in the goods-producing sector in 1989 and 6.5% of total GDP in that year. A diverse range of mineral commodities is produced by the mining industry. Iron ore production, however, dominates, accounting for over 80% of the total value of mineral shipments during 1989. The Province has two iron ore producers which are located in Labrador, the Iron Ore Company of Canada (IOCC) and Wabush Mines. These two producers employed over 2,400 persons in the Province in 1990. The output of the Newfoundland and Labrador mining industry is shipped primarily to markets located outside Canada.

In addition to mineral production, the mining industry continues to search for new sources of base metals, gold and industrial minerals for future development and extraction. The recent elimination of federal incentives for exploration has resulted in a dramatic decline in exploration activity.

Prospects

New projects or expansions expected to proceed during the next 12 months are

- the Lelia Wynne dolomite mine by IOCC in Labrador West
- the high-calcium limestone quarry by Newfoundland Resources and Mining at Lower Cove on the Port au Port Peninsula
- the anorthosite dimension stone quarry by the LIDC *et al* near Nain in Labrador
- increased slate production at Smith Sound, Trinity Bay.

During the next five years a number of other mineral-related projects have potential for development: the limestone/dolomite project at Aguathuna; the Penney's Pond and Coles Pond marble projects at Roddickton; the Duck Pond/Tally Pond project in the Millertown Area; gold mining and milling on the Baie Verte Peninsula; the Goose Arm marble project near Deer Lake; manganese and iron ore mining in northwestern Labrador near Schefferville; and new slate projects on the Bonavista Peninsula and on Random Island. In total these projects could create about 450 jobs. A major development constraint, however, is the high cost of infrastructure, primarily shipping facilities, estimated at $10 to $15 million.

Government Action

- In the area of tax policy, the Department of Finance, in consultation with the Department of Mines and Energy, is presently conducting a review of mining taxation in the Province.
- Government should consider developing a program or policy on funding for infrastructure for new mineral development projects. Consideration should especially be given to funding infrastructure that would serve more than one user, if possible.
- The federal and provincial governments should consider the merits of offering incentives to spur further mineral exploration.

Tourism

The tourism industry in Newfoundland and Labrador offers considerable potential for expansion. The industry is quite complex and involves a mixture of business/convention traffic, and recreation/leisure traffic. Revenues are estimated to have been close to $409 million in 1990, an increase of 66% over the 1985 revenue figures of $245 million. These revenues are associated with resident and non-resident travellers, business and recreational travel and include 1,560,000 overnight person trips (*vs* 1.1 million trips in 1985).

The tourism industry employs close to 9,400 people in hotels, tour boat operations, restaurants, airlines, outfitting camps, attraction parks, festivals and related services, and retail and entertainment businesses.

Since 1985, 110 new properties (1,000 new rooms) have been added to the accommodation supply. The Canada-Newfoundland 1984-89 Tourism Agreement expenditures of $21 million, private and other public-sector investment, and the Atlantic Canada Opportunities Agency's (ACOA) recent contributions of $30 million to 200 tourism operators, have added significantly to the tourism base.

A total of 290,000 non-resident travellers accounted for $130.4 million of the total 1990 revenues shown above. Some 64,000 of these non-resident travellers were visiting on business and spent an estimated $34.3 million. The remaining tourism receipts relate to resident travel which has increased substantially over the past five years primarily because of improvements in the tourism base, including accommodations, attractions and activities. In line with the national average, resident travel accounts for 81% of the volume and 68% of the value of travel.

Prospects

The Province's tourism strengths lie in its uniqueness and cultural identity, and it is on the basis of marketing and developing these strengths that this industry will continue to grow. The key to this growth is the Province's wilderness and recreation areas, its rich historic resources, its unique culture and rural lifestyle, and its unspoiled natural scenery and diverse ecology. The recent signings of new federal-provincial agreements in the area of Tourism/Historic Resource Development, and in Tourism Marketing will enhance the Province's ability to maximize tourism development opportunities.

Specific development opportunities over the next decade will relate to the exploitation of these unique features, especially adventure tourism, recreational products, historic resource development such as at Ferryland and Red Bay, and capturing the benefits of major events such as the 500-year anniversary of John Cabot's landing.

The objective of the Province is to protect and promote its unspoiled natural environment, and to develop a professional approach within the hospitality and outfitting industries.

Particular emphasis will be placed on those tourism development opportunities which have potential for year-round or extended season use. This would greatly enhance the commercial viability of such projects and contribute more benefits to the Province.

Government Action

- Government decisions on transportation, wildlife resources, wilderness protection and access, taxation, promotion and regulation should take into account their future impact on tourism development in recognition of the development aspects of the tourism industry.
- Government must encourage the private sector and the federal government to assist the Province in increasing the visibility of Newfoundland and Labrador and the products we have to offer.
- Continued public investment in facilities and attractions such as ski hills, convention centres, historic sites, interpretive centres and parks, will expand the base of destination driven travel generators which circulate visitors and residents throughout the Province, thereby creating investment opportunities in all areas of the Province. All funding agencies, public and private, should be aware of tourism opportunities which become identified.
- The challenge will be to compete in an extremely competitive marketplace where consumers are more sophisticated and expect first class quality

services, where travel throughout the world is easier, and where marketing budgets are rising. Emphasis will have to be placed on training, improving the quality of attractions and services, and on upgrading physical plant, such as accommodations and parks.

Major Projects

There are a number of major development projects now under way or in the planning stages. Over the coming decades they could contribute significantly to the provincial economy. The high levels of employment and the demand for goods and services generated by these projects – particularly Hibernia, Terra Nova and the Lower Churchill development – could strain our ability to meet those demands during peak construction periods. To maximize industrial and employment benefits to the Province and to ensure there is no shortage of skilled employees, careful planning is needed.

Hibernia

In September 1990, the federal and provincial governments and the Hibernia consortium reached an agreement which laid the foundation for the development of the Hibernia oil field. This field is expected to produce in the range of 525 million to 650 million barrels of oil, 1 trillion cubic feet of gas and 111 million barrels of natural gas liquids.

The Hibernia development project is one of the largest projects in the history of this Province. It is expected to generate in excess of $3.9 billion (1990 dollars) in net income benefits for Newfoundland and Labrador and, over the 24 years of construction and production, will create approximately 65,000 person-years of direct, indirect, and induced employment for residents of the Province.

Of the approximately 14,000 person-years of direct development phase employment in Canada, 11,000 are expected to go to residents of this Province.

The total capital cost of the project is estimated to be $6.2 billion in real 1990 Canadian dollars. The cumulative operating costs are estimated to be $4.7 billion in real 1990 Canadian dollars.

Prospects

To maximize industrial and employment benefits to Newfoundland and Labrador from the Hibernia project the Province should concentrate its efforts on enhancing the ability of the Province's firms to participate in each of the three categories of work:

Work committed to the Province. In 1990, the project developer, Hibernia Management and Development Company awarded the design engineering and construction contract for the gravity base structure (GBS) to Newfoundland Offshore Development Constructors (NODECO), a consortium of several international and Newfoundland and Labrador companies. Some 50% of the design engineering, in terms of person-years, is committed to Newfoundland and Labrador. Other work committed to the Province includes

- design engineering for the topsides accommodation facilities, flare boom and helideck;
- fabrication, assembly and outfitting of the wellhead module together with the helideck, main lifeboat station, auxiliary lifeboat station, flare boom, and the grillage work for the mating barges;
- design engineering for the sub-sea export lines to the crude oil loading facilities at the Hibernia production site. The consortium also undertakes to exercise its best efforts to perform a significant portion of the remaining design engineering for the sub-sea facilities in this Province.

Additional work committed to Canada. This includes

- fabrication, assembly and outfitting of the two topside mounted drilling derricks;
- fabrication, assembly and outfitting of the drillers office and pipe rack module provided three competing bids for any contract can be obtained from qualified contractors who propose to carry out the work in yards in Canada;
- fabrication, assembly and outfitting of the decks and preassembles for installation in the shafts of the GBS, provided three competing bids for any contract can be obtained from qualified contractors who propose to carry out the work in Canada;
- project services and topsides engineering contract to a consortium having majority Canadian equity participation and direction.

All work committed in Canada is also available for bidding by local firms. For example, the Province and the federal government through the Canada/ Newfoundland Offshore Development Fund authorized the expansion of the Cow Head Rig Repair Facility; this will allow the Marystown Shipyard to bid on the fabrication of various components related to the GBS and topsides.

Work not committed to any particular geographic location. Work not committed to Canada will be open to bids world-wide. It is expected that a significant level of provincial content can be achieved through technology transfer, training, subcontracting, and supply and servicing activity. Servicing contracts will be particularly important during the oil production phase.

Government Action

To ensure that the Province is maximizing its industrial and employment benefits from Hibernia, the government, in cooperation with the Canada/Newfoundland Offshore Petroleum Board, should

- continue to expand upon supplier development initiatives, paying particular attention to the smaller sub-contract and supply opportunities;
- continue its close dialogue with the Hibernia Management and Development Company to ensure that contract packages (*i.e.* the size of contracts) are dealt with in a manner that is sensitive to the capabilities and capacities of local firms;
- continue to pursue the supply and procurement of equipment and goods, which could lead to longer term maintenance and servicing contracts of such equipment. This opportunity may evade Newfoundland and Labrador firms if items are purchased outside the Province;
- continue to help Newfoundland and Labrador firms to become competitive in terms of price, quality and delivery through supplier development programs which emphasize information exchange, efficiency, productivity and quality;
- continue to ensure that Newfoundland and Labrador firms, particularly subcontractors and suppliers, are afforded full and fair opportunity to bid on work outside the Province and that the capabilities of these firms are made known to outside companies;
- continue to work with Hibernia Management and Development Company and their prime contractors to find imaginative ways to ensure that some level of provincial content, particularly technology transfer, exists in foreign awarded work. This could be accomplished through subcontractors, joint ventures and training. This could lead to after-sales servicing contracts for local firms;
- continue its program of informing and educating the Newfoundland and Labrador business community about Hibernia project requirements and encourage their participation in the project;
- continue its efforts to enhance its educational, scientific and industrial infrastructure, continue its specialized training programs, and act as a facilitator to local firms in their marketing efforts.

Other Oil and Gas Projects

There are five gas/condensate discoveries on the Labrador Shelf and fifteen oil and/or gas discoveries in the Northeast Grand Banks region. Discovered recoverable resources offshore Labrador are 4.2 trillion cubic feet (TCF) of gas and 123 million barrels of natural gas liquid (NGL). Discovered recoverable resources (including Hibernia), expressed at 50% probability of occurrence, for the Northeast Grand Banks are 1,576 million barrels of oil, 4.02 TCF of gas and 237 million barrels of NGL.

Prospects

Development of the Labrador Shelf is not expected before the year 2000 but further developments on the Grand Banks can realistically take place in this time frame.

The Terra Nova field contains 406 million barrels of recoverable oil, at a 50% probability level. Preliminary analysis of the project indicates that direct Government assistance is not required on this project, which would have about a 15-year production life.

The Whiterose field is believed to contain 178 million barrels of recoverable oil, 1.5 TCF of gas and 58 million barrels of NGL. This project has only had preliminary analysis and a significant amount of delineation drilling is required to accurately define the reserves. The Department of Mines and Energy has estimated the reserves to be 300 million barrels of recoverable oil but this has to be confirmed. It is possible that this project could start prior to the year 2000.

The Hebron-Ben Nevis field is expected to produce about 200 million barrels of recoverable oil but further delineation drilling is required before development can proceed.

A recent evaluation, conducted by the Canada-Newfoundland Offshore Petroleum Board and the Geological Survey of Canada (GSC), indicates there are approximately 3 billion barrels of oil remaining to be discovered on the Northeast Grand Banks. An additional 2 billion barrels may remain undiscovered in other areas. Exploration and delineation drilling is expected during this decade to prove out these projections. Including development drilling at Hibernia and Terra Nova, it is conservatively estimated that over 100 wells will be drilled between 1990 and 2000, most after 1995.

In addition to the economic opportunities that these offshore projects would bring, there is also a potential for related developments in refining and petrochemicals, and in export contracts based on the experience gained by local companies in oil-related work.

In 1990 the Canada/Newfoundland Offshore Petroleum Board issue exploration licenses for offshore western Newfoundland and seismic work is now going on in that area.

In May 1991, Government put out a call for postings for onshore western Newfoundland and may issue rights to companies interested in onshore petroleum exploration if lands are nominated.

Government Action

- The Province should continue to develop its strategy for the maximization of industrial and employment benefits and the level of revenues accruing to the Province from the Terra Nova field development.
- Government should pursue the development of fields other than Hibernia and Terra Nova. The results, including the employment and industrial benefits and revenue flow to the Province, should be incorporated into any long-term planning exercise.
- Government should examine the need to take steps in legislating a generally applicable royalty regime. This could spur further and earlier activity on other projects.
- The federal and provincial governments should examine the merits of offering incentives to spur further petroleum exploration.
- Government should investigate the feasibility of further processing of hydrocarbons from the Province's offshore area and other areas, and the development of a petrochemical industry.

Lower Churchill Development

The Province currently has a total electrical capacity of approximately 7,300 megawatts (MW). Approximately 1,900 MW of this capacity is generated and used on the island portion of the Province. The other 5,400 MW of capacity is generated at Churchill Falls in Labrador. Of the Labrador portion 400 MW is being used within Labrador and 5,000 MW is exported to the Province of Quebec.

Projections of the growth in consumption of energy on the island portion of the Province indicate that the demand for energy will exceed the available supply by 1996. Given the lead time necessary to provide additional supply, it will be necessary to decide upon a new source of energy in the near future. Several sources are under consideration but these will only provide sufficient capacity and energy until about the year 2000. Longer-term solutions are required to meet the Province's energy requirements beyond that date.

Options for Meeting Future Needs

There are many factors that affect the choice of project options. Some of the more noteworthy ones are environmental impact, coal and oil price stability, the amount of power expected to be required and the expected useful project life.

After studying the use of oil, coal, nuclear and hydro as well as other new sources of electrical energy for the year 2000 and beyond, Newfoundland and Labrador Hydro has concluded that hydro electric development on the Lower Churchill River in Labrador is the best choice. The key factors in making the decision that a Labrador hydro project with an infeed to the island is the most logical long-term solution to the Province's energy needs are

- cost effectiveness over the long term
- the expected useful project life
- low environmental impact
- insensitivity to price changes for coal and oil
- projected power requirements
- the Province's concern with the use of nuclear energy as an alternative source
- the security of supply
- the limited remaining hydro potential on the Island portion of the Province.

Project Description and Cost

In pursuing the further development of Labrador's hydro resources Newfoundland and Labrador Hydro is focusing on

- the development of the hydro potential of the Lower Churchill
- the provision of an infeed to the Island portion of the Province to meet projected electrical deficiencies from 2000 onwards
- the construction of a power plant at Lobstick (within the existing Churchill Falls Reservoir)
- the sale of surplus capacity to Hydro Quebec.

Specifically, the projects would have five elements:

- development of two hydro electric power sites on the Churchill River, one at Gull Island and the other at Muskrat Falls (3,100 MW of installed capacity)
- completion of power transmission interties between these two sites and the Churchill Falls site

- the construction of the 150 MW power plant near the existing Lobstick water control structure, upstream from the existing Churchill Falls power plant
- the construction of an additional transmission line from Churchill Falls to the Quebec Border
- the construction of a transmission line from Gull Island to St. John's including the Strait of Belle Isle Crossing.

The capacity of these projects, approximately 3,250 MW, is more than 60% of the approximate 5,400 MW produced currently at Churchill Falls.

The total cost associated with the projects would be $6.4 billion in real 1990 Canadian dollars.

Project Benefits

Employment during the construction phase (1995 to 2006) would be about 15,550 person-years. During the operating phase, 175 permanent long-term jobs would be created. During the period 2000–2030, operations and maintenance activities would generate about 5,500 person-years of employment. Construction employment would peak between 1997 and 1999.

The revenues generated from the project, when recirculated into the economy, could result in a further 62,000 person-years of employment. The annual average of direct, indirect and induced employment, when combined, would then equate to about 2,100 person-years.

The direct income benefits are estimated, by the Department of Mines and Energy, to be $4.9 billion in real 1990 Canadian dollars. The Department further estimates that the total direct, indirect and induced income would be about $7.4 billion over the first 40 years of the project.

Government Action

- Subject to the successful conclusion of negotiations with Hydro Quebec for the purchase of surplus power and the conclusion of financing arrangements, it will be necessary to undertake a concerted effort to optimize the industrial benefits associated with the project. Further research and study will be required to determine the full range of opportunities which the development of this project would present and the action which would be required to maximize those opportunities to the benefit of Newfoundland and Labrador in both the short and long term.
- The Province should undertake further analysis of the labour market situation to determine the ability of the Province to respond to the level

and types of skills required on each of these projects and to develop a better understanding of the distribution of both direct and indirect employment.

New Growth Industries

In addition to the further expansion of its established and new resource industries, Newfoundland and Labrador must diversify its economy in more non-resource-based manufacturing and services in order to create the new wealth and new employment that its people will need in the years ahead. Fortunately, with the rise in skill levels and expertise within the provincial labour force, particularly in engineering and technology, new initiatives are currently under way in such areas as light manufacturing, innovative technologies and communications. There already is significant strength on which to build economic diversification, and new trends within the global economy make it possible for Newfoundland and Labrador firms to exploit new market niches, both for these new goods and services and for more traditional products such as crafts.

Prospects

The Economic Recovery Commission has identified eleven initial sectors as offering new opportunities for growth. These sectors were selected in response to the existing strengths of the business community, comparative advantages which the Province's location and capabilities offer, and global trends which dictate new market opportunities. The Economic Recovery Commission will be reporting on this project in a separate publication later this fall. One of these sectors, aquaculture, has been discussed previously. The other sectors identified are

Manufacturing – the value of non-resource-related manufacturing grew significantly from 1976 to 1989. It is now worth more than forestry and employs more people than either forestry or mining. Newfoundland and Labrador firms already sell ice cream, work boots, gloves, and a variety of other products in mainland markets. There is also room to manufacture more products for the local marketplace, such as fishing-related goods. This is a dynamic sector with no natural resource supply constraints on further growth.

Innovative Technologies – the number of innovative technology firms grew rapidly during the 1980s. There are now over 50 active firms producing around $100 million worth of high-value goods and services and employing

more than 1,000 people. In this sector, Newfoundland and Labrador entrepreneurs and technologists are already succeeding in the global marketplace.

Information Industries – this essential services sector industry is the fastest growing in Canada. Largely because of its dispersed population and difficult geography, Newfoundland and Labrador has already developed considerable innovative strengths in telecommunications which can now be turned to advantage through further expansion in domestic and export markets.

Export Services – services as well as goods create economic wealth, and the export of dynamic services can bring new dollars and employment into a region. Internationally there is strong and growing demand for services such as engineering, fisheries and oceans-related technology and other types of consultancy services in which Newfoundland and Labrador firms have proven expertise. There is considerable untapped opportunity in this competitive industry.

Environmental Industries – the fast-growing and influential environmental movement has created a new international industry of firms specializing in environmental protection, enhancement, restoration and conservation. While only a few Newfoundland and Labrador firms specialize in such activities to date, there is much potential for expansion during the coming years in both domestic and export markets.

Energy Efficiency and Alternative Energy – in addition to oil and gas and hydroelectricity megaprojects, Newfoundland and Labrador enjoys bountiful alternative energy resources: peat, wood chips, cogeneration, small hydro developments and wind. In addition, it has recently been shown in British Columbia and elsewhere that energy efficiency can be an industry in its own right with significant wealth-generation and employment creation benefits. The provincial Minister of Mines and Energy has established an Advisory Council for Energy Efficiency and Alternative Energy which will be reporting on this new growth opportunity next year.

Crafts – mainly because of the efforts of several entrepreneurs and crafts producers supported by the Newfoundland and Labrador Crafts Development Council, the Labrador Crafts Producers Association and by both orders of government through successive Rural Development Agreements, the Province's craft industry, now valued at approximately $15 million, has grown steadily during the past decade. The Working Group on Crafts released a five-year plan for the industry last spring which aims to double production in five years through improved design, marketing and support services to crafts producers.

Cultural Industries – despite Newfoundlanders' and Labradorians' pride in their unique culture and heritage, cultural industries have actually been

growing faster elsewhere in Canada than in this Province in recent years. The Economic Recovery Commission is helping coordinate the efforts of the industry with government support to build on the Province's distinct cultural identity through enterpri s engaged in film production, publishing, and the visual and performing arts. The Province and the Atlantic Canada Opportunities Agency have agreed to work toward the development of a Cooperation Agreement during 1991-92 which would provide funding for this sector.

Home-Based Industries – modern forms of computer and telecommunications technology have increased the scope and activities for small, home-based enterprises. The objectives of this strategy are to raise the profile of home-based and cottage industries, to help producers improve their business and marketing skills, to work with municipal governments on regulations supportive of home-based and cottage industries, and to encourage home-based entrepreneurship as a means to strengthening the values of an enterprise culture.

Adventure Tourism – This is a rapidly growing industry internationally. In cooperation with the Tourism Branch of the Department of Development, the Economic Recovery Commission (ERC) organized a major conference on Adventure Tourism in Gander last spring, and a follow-up Working Group of industry and government representatives has been meeting to produce a coherent strategy for the growth of this sector. The aim is to protect and promote the Province's unspoiled natural environment, to upgrade the value of the resource through measures such as salmon enhancement, and to develop a professional approach with the hospitality and outfitting industries to make the most of the Province's high-value adventure tourist opportunities.

These sector strategies are at various stages of development and should be completed by the end of 1991 and will then form part of the Province's Strategic Economic Plan.

Government Action

- Government should examine its policies and programs which support business development. Communication linkages between public and private sectors must be further strengthened and continued as a necessary element in economic development.
- Special support will be needed by local firms which have the capacity and skill to export products and services.
- Human resource development has to be addressed as it is a fundamental linchpin for our economic future.

- Financial support programs should be refocused from capital assistance to company development including management development, market development, and technology adoption and commercialization.
- Government should review and implement where feasible the additional recommendations of the Economic Recovery Commission's forthcoming report on new growth opportunities.

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SUPPORTIVE POLICIES

In addition to the resource, manufacturing and dynamic services sector opportunities outlined earlier, the process of economic development relies on supportive government policies and an attractive investment climate. Indeed, in the present world trading system, with location and resource factors becoming less important, it is critical that Government's economic development strategy contain elements which promote competitiveness, productivity, and profitability.

Productivity

The productivity of Newfoundland and Labrador businesses and the labour force is an issue that often arises in negotiations with outside companies when attempting to attract economic activity to the Province. In order to attract investment and development, Government will take concerted action to quantify and address this issue.

The 1980 study on the Newfoundland and Labrador economy by the Economic Council of Canada contended that, at that time, the lower level of productivity and efficiency in the Province was a major reason for the lower level of earned income per capita as compared to the national average. The study suggested that some of the factors that contribute to low productivity include

- lower education among workers and managers
- slower adoption of new technology
- a low level of urbanization
- seasonality
- government policies.

Productivity remains a concern more than ten years later. At the same time, it is recognized that certain major industries in the Province are competing successfully against their competitors in the international marketplace.

Productivity must be raised not only for goods and services destined for external markets, but also in the production of local goods and services, even where there is no direct competition from outside suppliers. Efficient production of local products will lead to higher real incomes by providing for lower local prices and higher wages. Efficient production methods will also provide a basis for import replacement and improvements in export industries that rely on local goods and services as inputs. For example, improved productivity in the construction sector will lower the capital costs of business investments and make the resulting enterprises more viable.

The widespread use of micro-electronics and information technology throughout the world is revolutionizing production in all industrial sectors. Improved productivity and competitiveness will depend more and more on the knowledge and skills of managers and workers to apply new technologies and processes to the workplace. Newfoundland and Labrador's comparative productivity is at risk of falling behind unless industry develops the capability to participate in this rapidly changing environment.

An improved commitment to quality assurance and quality control in the production of goods and services is required. The demanding marketplace of today requires that producers attain and consistently maintain a high level of quality at a competitive price. A thorough awareness and resolve among managers and workers to reach this goal will be a key ingredient of economic success. Private-sector organizations are beginning to take initiatives in this area of quality improvement and should be supported by Government.

Government Action

- Government should review its tax, transportation, and regulatory policies to eliminate any disincentives for enterprises to adopt more efficient methods of production and distribution. One method of implementing this process could be to provide a mandate to an agency to promote improved productivity, better quality, higher standards and greater efficiency in the Newfoundland and Labrador economy.
- Government should continue to cooperate with the private sector to emphasize management and skills training at the enterprise level in order to build the awareness of and commitment to productivity and quality.

Developing a Trading Culture

Newfoundland and Labrador entrepreneurs must trade world wide in order to build a prosperous economy. Prospects for economic development will hinge on a willingness and determination to develop a diversified, inter-

nationally competitive economy. Trading barriers are falling, protected markets are disappearing, and jobs in non-competitive sectors are shrinking. We must also seize opportunities presented by the Free Trade Agreement with the United States, the Interprovincial Trade Agreement and potential opportunities which may exist within the European and Far East marketplaces.

Export marketing skills are crucial to the development of the Newfoundland and Labrador economy. Exports constitute a major part of our GDP, which is largely composed of newsprint, minerals and petroleum products which are externally owned and managed. In the fisheries sector, with a few notable exceptions, trading simply means selling semi-processed fish to brokers. The knowledge and capability to investigate new markets, tap into distribution networks, and develop new products to meet the exacting standards of external buyers, must be built within the Province as a basis for economic development.

Government Action

- The Province must continue to be active in its assessment of trade negotiations and federal trade policy initiatives, so as to ensure that exporters can ship their products with maximum efficiency and effectiveness. The Province will continue to press for the development of Canadian trade policies and international trade rules which recognize the needs of all resource industries, and all regions.
- Export subsidies are fully countervailable in the new international trading environment, and therefore should not be used. More effective strategies centre on improving the knowledge and skills of entrepreneurs to identify market opportunities. This can be facilitated through formal education (an adjunct to the Business program at Memorial University), trade missions, joint marketing consortia, and market information services.

Education and Training

A key contributor to sustained economic activity is a productive and capable work force. Growth opportunities in the economy will require well-educated and highly skilled entrepreneurs, managers, professionals, technologists, technicians and support personnel. Whether the new opportunities arise in traditional resource sectors or in innovative technology enterprises, one of the chief components of success will be high-quality resources.

Over the past two decades Newfoundland and Labrador as a Province has recorded significant gains in almost all measures of performance of its system of education. By current yardsticks the Province compares favourably with its Atlantic counterparts in most performance measures. While Newfoundland and Labrador still has not reached the national average for many important educational indicators, the Province is closing the gap in specific areas. For example, participation in secondary education has improved to the point that the Province now has one of the highest participation rates in the country. Our university participation rate has also improved and is now approaching the national level. On the measure of high school graduation rates, there has been a dramatic narrowing of the gap with the Canadian average.

In spite of this progress, Newfoundland and Labrador still has a long way to go to reach national averages in certain areas. The Province's adult population currently ranks behind most other provinces in levels of educational attainment. This lack of education and training is persisting even though some 64% of the new jobs to be created in Canada to the year 2000 will require a level of education higher than the secondary level, or Grade 12. Newfoundland and Labrador continues to have one of the lowest proportions of adult population with a post-secondary education. The Province also has a large proportion of its adult population with less than high school graduation, a situation which is reflected in the high incidence of illiteracy in the Province. In addition, students in rural schools score significantly lower on standardized tests than do students in the Province's urban schools.

The Province's spending on primary, elementary and secondary education, as a percentage of GDP, is the highest in the country, although we are still below the national average in terms of expenditures per pupil. Rationalization and reallocation of financial resources within the education system should assist in alleviating some of the pressure currently being exerted on operating budgets. However, increased capital expenditures will be required in the short term if the system is to establish the facilities and equipment necessary to deliver the type of education required in an increasingly competitive economy. The work of the Royal Commission on Education should assist in addressing these issues.

Continued improvement in all areas of educational attainment and achievement will be necessary if the Province is to develop its human resources as a competitive advantage. As the population and the work force ages, additional demands for training and retraining will have to be met. Workers will have to be highly skilled, flexible and adaptable in order to respond to changing labour market needs. If economic development strategies are to succeed, human resource development generally has to be seen as a cornerstone of our future economic well being.

To be successful in supporting the Province's economic development strategy, closer linkages must be developed between the elementary/secondary and post-secondary education systems. Both systems have important contributions to make in providing the people of this Province with the knowledge, skills and attributes necessary to participate in a competitive, global economy.

Government has outlined its strategy for post-secondary education in the White Paper *Equality, Excellence and Efficiency: A Post-secondary Educational Agenda for the Future* (1990). Significant strides have been made at the post-secondary level over the last several years, and efforts to continue these improvements will be realized through implementation of the initiatives outlined in this policy document.

It is recognized that long-term benefits will be realized through improvements to the primary, elementary and secondary grades. It will now be important to focus particular attention and resources on the Kindergarten – Grade 12 sector. For example, for the greatest benefit to the economy, greater emphasis is required on instilling an entrepreneurial spirit in the Province's youth. The basis for developing a strong enterprise culture should be established at the school level and continue to be reinforced in post-secondary studies. The importance of innovation, productivity and excellence should be stressed throughout the educational system.

It is clear that all levels of government, the education system, business and labour must cooperate in developing and delivering education and training programs. Education and training strategies in support of economic renewal must span the entire education system, from elementary/secondary to post-secondary education, including private-sector initiatives. It is essential that all groups be consulted on the design and delivery of training programs which can provide greater flexibility to accommodate changing labour market requirements and funding arrangements.

Government Action

- Government should develop a provincial learning strategy that incorporates the entire education system, including private training initiatives, and links education and training activities to human resource development. This will be the outcome of the Province's strategic planning process that is now under way.
- Government should undertake further analysis of the labour market to determine the ability of the Province's work force to respond to changes in the levels and types of skills required by employers and to develop a better understanding of the distribution of both direct and indirect employment requirements.

- Government should take a leadership role in accelerating educational initiatives within present industries, particularly those initiatives leading to more technological innovation and improvements in management, productivity and quality. This envisions, within the education process, a greater involvement of business, labour and the community at large.
- Government should coordinate spending on post-secondary education and training, including federal funds distributed through the Canada Employment and Immigration Commission (CEIC), in support of the Province's economic development strategy.
- Government should support new initiatives in fisheries and marine-related sciences at the post-secondary level.
- Government should give priority support to providing individuals with basic learning skills such as literacy and numeracy; raising proficiency in science, mathematics and technology; encouraging the development of interpersonal, communications and problem-solving skills; and instilling entrepreneurial values.
- Government should initiate a renewal of human resource development to maintain instructional services at all levels.
- Government should support the rationalization and reallocation of funds within the education system as a means of financing long-term educational improvements. Priority should be given to the formulation of a Long-term Capital Plan focusing on the development of capital facilities and equipment resources for primary, elementary and secondary education.

Science and Technology

Over the last number of years, through the Centres of Excellence approach, governments have shown a commitment to building an infrastructure for science and technology in the Province. In particular, the marine-related sectors have received major investments in such research centres as the Centre for Cold Ocean Resources Research, the Centre for Earth Resources Research, the Marine Institute, the Institute for Marine Dynamics, the Ocean Sciences Centre and the Canadian Centre for Marine Communications. This concentration of teaching and research facilities, in addition to attracting research funds from outside the Province, has trained many Newfoundlanders and Labradorians for knowledge-based jobs, and has been instrumental in the establishment of innovative technology companies. A continued commitment by Government to this sector will be an important contribution to economic diversification and export driven development.

There are now more than 50 innovative technology companies in the Province employing more than 1,000 people. These companies are the beginning of the value-added, knowledge-based sector which will help diversify the economy. These companies are in part the initial product of major public investments in science and technology, and now need to be nurtured and assisted so that commercialization, production and marketing of new products can be successful.

Government has developed a formal policy which states that science and technology must be used to promote economic development in the Province. This goal will be achieved by enhancing the scientific and technological base and by utilizing the natural and human resources of this Province. The policy contains five objectives relating to:

- awareness of science and technology
- education
- research and development, innovation and technology transfer
- commercialization of research and development
- industrial strategies.

Government's science and technology policy provides a sound base for action. The Newfoundland and Labrador Science and Technology Advisory Council has recommended a number of strategies to promote market-driven commercialization and industrial innovation which should be seriously considered by Government:

- a strategic procurement policy
- an industrial risk sharing fund where the high technology firm shares the risk of product development with potential buyers and Government
- promoting the economic potential of investing in science and technology
- Retail sales tax (RST) exemption for machinery and equipment used in research and development
- assistance for firms to upgrade their quality assurance and control procedures.

Enterprise Newfoundland and Labrador should play an active role in technology commercialization. The Corporation already enjoys a close working relationship with the National Research Council's IRAP program and has signed a Memorandum of Understanding with the Innovation Centre at Waterloo University.

Government Action

- The Province has a considerable public involvement in research and development infrastructure. There is a danger these assets may not

realize their economic potential unless greater efforts are concentrated on securing research contracts and commercial activity to raise the utilization rates. In many instances the federal government is withdrawing its financial support for research and development facilities and provincial governments are assuming the slack.

- Government should advance science and technology by focusing on research and development, human capital, market development, and quality control in federal/provincial economic development agreements and other economic development mechanisms. These components are the supportive elements which are needed in addition to infrastructure and capital investment.

Income Support

Income support for people of labour force age consists primarily of unemployment insurance and social assistance. Job creation projects which qualify people for UI can also be considered part of the income support system. The most important component of the system is UI, which accounted for approximately $848 million in Newfoundland and Labrador in 1990.

The UI-makework system is generally regarded as a hindrance to economic development because, in some circumstances, it increases the seasonality of work, provides a disincentive to work, undermines the value of education and discourages self-employment. It is also argued that the availability of a generous UI program raises the measured rate of unemployment, and provides a disincentive for individuals and communities to adjust to declining economic circumstances.

UI can also be regarded as a positive contribution of cash in a seasonal economy which is needed to provide basic sustenance and to permit other types of non-cash economic activity to occur. It is also argued that if more restrictive provisions for UI were introduced, the resulting social chaos could be devastating to individuals, families and the social structure of the Province.

The Royal Commission on Employment and Unemployment recommended an alternative income security system which would remove many of the negative incentives of the UI system, and would provide an incentive to obtain earned income. The concept of an experimental approach in Newfoundland and Labrador was raised with the federal government. Discussions are now under way with federal officials about a number of possible pilot projects in selected regions of the Province.

A special problem exists in the case of UI for fishermen. In years of poor catches, UI may not be available to many fishermen unless they participate in an Emergency Response makework program. Fishermen would be better served by an income stabilization program which provides payments in poor years, and builds up its fund in good years.

Presently, the net benefit from UI to Newfoundland and Labrador (benefits out less payments in) represents a massive transfer of income from one area of Canada to another. The new financing arrangements for the UI fund dictate that all contributions come from employers and employees, with no contribution from the federal treasury. There is good reason to believe that pressure will build to return UI to its original insurance principles, where payments bear some relationship to benefits, so that inter-regional and inter-industry subsidization is eliminated. In order to protect its vital interests, the Province should attempt to take a proactive rather than reactive role in income security reform.

Government Action

- Government should initiate a comprehensive study of income support in the Province in order to derive policy recommendations for restructuring the income support system. This study would build upon the work of the House Commission, the Forget Commission, the McDonald Commission and the Report of the IAS Committee on the Inshore Fishery.
- UI is the responsibility of the federal government. The provincial government should make representation to the federal government towards removing the aspects of the UI-makework system which retard economic development, and put in place measures which allow individuals greater choice in skills training and rejoining the workforce.

Federal Expenditures

There are several elements to a strategy which uses federal expenditures to help economic development in the Province. These include procurement, federal presence, and coordination of federal regional development spending.

Newfoundland and Labrador has 2.2% of the nation's population, but normally receives less than 1% of federal procurement expenditures. Federal procurement is a vast market and source of demand for goods and services, and should be used more effectively as a tool of regional development. While the federal government already requires that large procurement projects source their requirements among the various regions, this policy has not been applied vigorously, and does not separate Newfoundland and Labrador from

the Atlantic region as a whole. A renewed policy commitment by the federal government to spread the benefits of procurement would be a distinct boost to producers in the Province. Additionally, the decentralization of federal government offices, agencies and defence establishments could be a major economic stimulus to the Province.

The success of an economic development strategy will require the cooperation of the federal government so that the spending and investment priorities of the two governments do not duplicate or conflict with each other. There is already a considerable amount of cooperation through ERDA Cooperation agreements which can be focused on the priorities outlined in this strategy document. Greater coordination of funding through ACOA, the Department of Industry, Science and Technology, and CEIC will also be important.

Government Action

- Government should work with the federal government, through initiatives such as the Supplier Development Service, to develop a more effective procurement policy which aids the development of suppliers in the Province. At the same time, the Province should conduct an exhaustive study of federal procurement opportunities and communicate these to the private sector. Government should examine options to help local businesses gain access to federal procurement opportunities.
- Government should develop proposals to the federal government regarding the location of specific federal establishments in the Province.
- Government should initiate broad discussions with the federal government to discuss economic development priorities and the coordination of federal and provincial expenditures in support of these priorities.

Regional, Rural and Urban Development

Just as the federal government has the responsibility of correcting regional disparities within Canada by establishing programs that encourage regional development and equality of services, so the provincial government has the obligation to provide for balanced economic development to correct regional disparities within Newfoundland and Labrador.

Obviously, it would be unrealistic, if not impossible, to try to provide specific provincial economic development programs in more than 800 communities throughout the Province. However, it is essential to encourage and support development in all regions of the Province so that people have the opportunity to work reasonably near to where they live, so that all communities have

access to regional economic opportunities and to provide the infrastructure needed to entice private sector investment within every region.

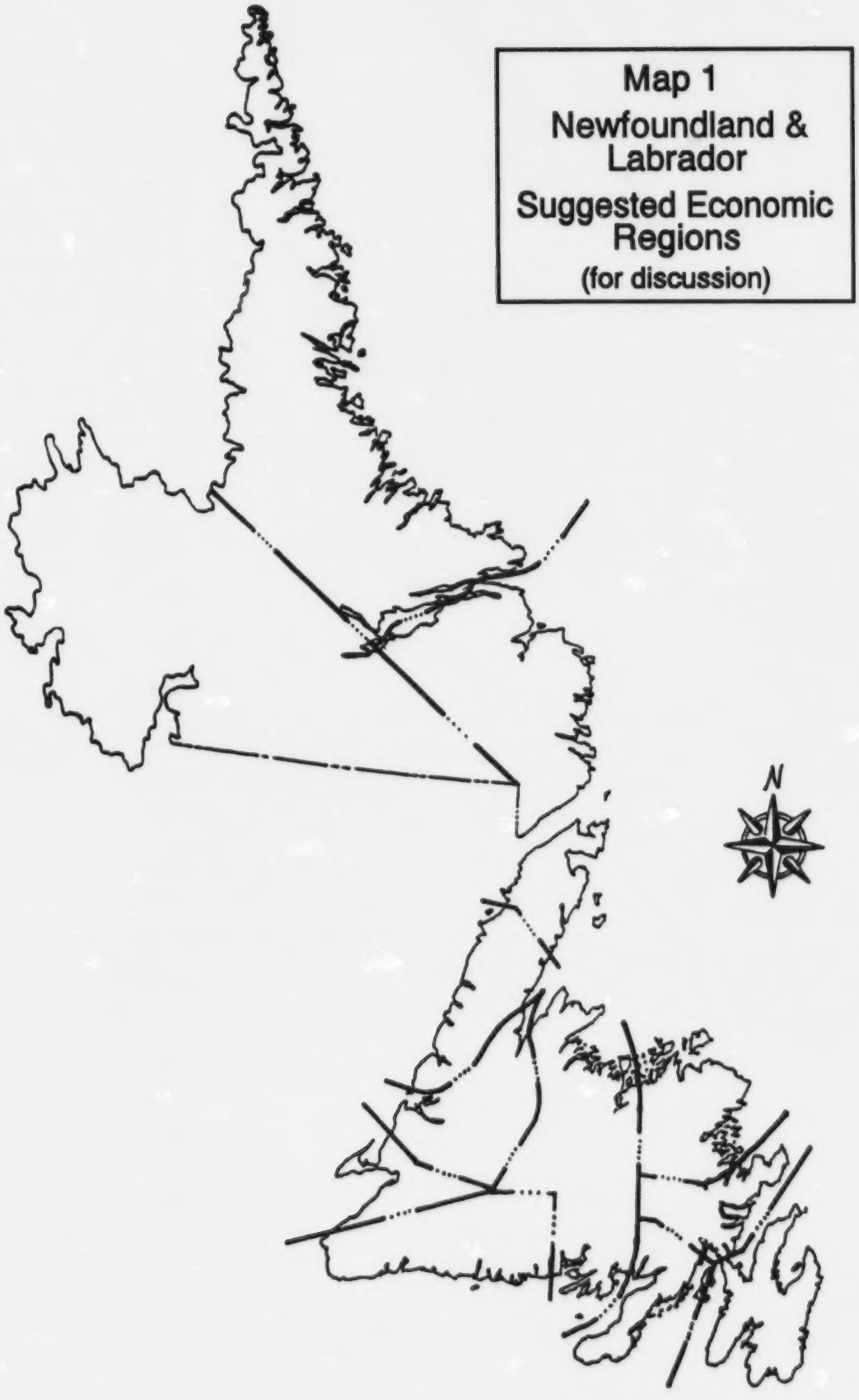
To help provide this support, Government proposes to establish from 10 to 15 well-structured economic regions throughout the Province and to use them for administering and delivering all provincial government programs and support services. (Map 1 suggests – for discussion purposes – one way these regions could be designated.) In this way, concentrated regional planning and development efforts could identify local resources and encourage economic initiatives that would benefit all communities. Regionalized administration would also support the effective delivery of essential services, such as health, education and social services throughout Newfoundland and Labrador.

Regions would be designated on the basis of geographic characteristics and common resources, culture and needs. While Government's policy is to leave it to the private sector to decide where enterprises should be located within any region, strong efforts will be made to ensure that every region benefits from balanced development.

Enterprise Newfoundland and Labrador Corporation (ENL) was established early in 1991 as a first step in the implementation of this regional development policy. The Corporation endeavours to provide the same level of economic development and business support services in each of five major regions: Labrador, Western, Central, Eastern and Avalon. The provincial government has also signed an ERDA Cooperation Agreement with the federal government to establish the ACOA Enterprise Network, a business information system for people in all parts of the Province.

Despite recent population and demographic trends, the settlement structure of Newfoundland and Labrador will remain largely rural in the foreseeable future. Given the higher rates of unemployment, the lower earned incomes and the lower levels of educational achievement in rural areas, special policy and program measures will be required to build on the strengths of rural communities and to assist rural areas in the difficult challenges associated with diversifying local economic development opportunities.

Rural communities in Newfoundland and Labrador have shown a remarkable resilience over the years, and despite their present overdependence on transfer payments, they display certain strengths. Of major significance in Newfoundland and Labrador is the household or informal economy. This includes the economic benefits to the Province of many people building and repairing their own homes, giving the Province the highest rate of home ownership in the country. Many households also contribute to their well-being by cutting their own firewood, producing some of their own food and providing services that would have to be paid for in most urban centres.


Map 1
Newfoundland &
Labrador
Suggested Economic
Regions
(for discussion)
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The economic value of such activities is not included in measures of Gross Domestic Product and is rarely included in economic analysis. Yet its worth is undeniable, and the values of hard work and self-reliance engendered in the household economy could be helpful in developing a stronger enterprise culture in the market economy of rural Newfoundland and Labrador.

Since the early 1970s, both orders of government have pursued a policy of local economic development through a series of Rural Development Agreements which support the Province's 57 Regional Development Associations, the crafts industry and small business initiatives in rural areas. More recently, these policy and program initiatives have included the credit union and cooperative sectors as additional mechanisms to foster rural, social and economic development.

The growth of the unemployment insurance system and job creation programs, however, have made Rural Development Associations and rural communities very dependent on Government, with the Associations often serving as the local agents for job creation projects which enable people to qualify for UI. Some Associations, however, have begun to move away from this dependency on job creation projects and have become involved in longer-term economic development prospects. Efforts are still needed at the local level – with the continued support and commitment of Government – to break clear of this dependency trap.

Government policy for rural and regional development should thus aim at reducing the level of dependency and increasing the economic viability of rural communities, with support for local initiatives which have these objectives. Provincial policy for rural and regional development should be directed at stimulating the inherent self-reliance and enterprise that historically characterizes rural social and economic life.

It is clear from its 25 year history that rural development policy requires a more comprehensive and coordinated approach to joint economic planning and business support. Guided by the principles of the 1986 *Report of the Royal Commission on Employment and Unemployment*, the Economic Recovery Commission, Enterprise Newfoundland and Labrador and the ACOA Enterprise Network represent a new opportunity for rural development policy to become more focused, strategic and effective.

The municipal level of government has strengthened considerably in Newfoundland and Labrador during recent years and should now begin to play a larger role in local economic development. This role needs to be coordinated with the Regional Development Associations.

Government policy should also be supportive of the province's urban communities, especially in their efforts to be competitive with other North

American cities. An efficient urban structure in the context of national development is an important part of an efficient economy. Connected by good transportation links, urban areas allow for concentrations of services for their regions which may not be viable if they have to be provided to widely scattered communities. An efficient allocation of private and public capital in key areas improves the business environment and assists economic development.

It will be necessary for the Province to exploit and promote the comparative advantages of its urban centres and use these advantages for export purposes, both nationally and internationally, for the further benefit of the entire Province.

Government Action

- Government's economic development policy should take a balanced approach to all regions of Newfoundland and Labrador; the idea of delivering all economic development and government support services through 10 to 15 well-structured regions should be pursued.
- Government's economic development policy should be cognizant of, and sensitive to, the contribution of the household and informal economy to economic well-being.
- The education system for children and adults should provide opportunities to acquire the skills necessary to be productive in the household or informal economy as well as in the market place.
- All relevant government departments and agencies need to plan and deliver their programs in rural communities in a cost-effective manner that is well-coordinated with Enterprise Newfoundland and Labrador and local development agencies.
- Government should focus attention on those institutions and agencies which foster independence from government and encourage education, training and productivity.
- Government policy should become more sensitive and aggressive in pursuing the rational and cost-effective decentralization of government offices, programs and services into all regions of the Province.
- Development programs within Enterprise Newfoundland and Labrador and the Department of Development should be more flexible and responsive to the special needs of rural businesses and community economic development organizations, with attention being paid to company and entrepreneur development initiatives, and the development of strong linkages between enterprises and education and training institutions.
- The regional coordination role of Enterprise Newfoundland and Labrador should become a priority in the early phases of the organization's

development, and this role should be well communicated to the public, community development groups and federal and provincial agencies.

- The municipal level of government should be mandated to play a more active role in economic development, and its efforts should be coordinated with those of the Province's Regional Development Associations.
- Public investments in infrastructure and services should be used to enhance the efficiency of the urban structure in key areas of the Province to entice new enterprise development and to place the Province's urban centres in a better position to compete with their national counterparts.
- The importance of urban development as a basis for more rapid economic development should be researched and assessed.

Foreign Trade Zones

Trade zones are used throughout the world to facilitate regional economic development. A recent review revealed that there are, today, 428 zones active in 86 countries. While the United States has used the concept successfully for many decades, Canada is one of the few countries in the world without such zones.

Generally, a foreign trade zone is a designated area in a port of entry (air or water) which is deemed to be outside of customs territory. Quota restrictions, duty and bonding are waived. Foreign goods entering the zone may be stored, manipulated, used in a manufacturing process, inspected, combined with other foreign or domestic materials, displayed for sale and re-exported without payment of duty.

Foreign trade zones elsewhere have proven to be very effective in attracting business investment and could be a significant economic development tool for this Province. The Government of Newfoundland and Labrador has been working with the federal government for some time with the objective of establishing such zones as a specific economic initiative for the province which has the greatest level of disparity.

Government Action

- Government should continue to work for the establishment of foreign trade zones as a specifically targeted regional economic development tool for the Province of Newfoundland and Labrador.

Tax Policy

The Province's tax system is under review, partly to ensure that it does not discourage development.

Some mining companies have contended that the retail sales tax is the highest in Canada, that mining and corporate tax rates are among the highest and that the payroll tax is unrelated to profits. However, the mining tax rate is average for Canada, the property tax rate is the lowest in Canada, the retail tax is presently somewhat higher than other provinces, the corporate tax rate is 17% compared to the Canadian average of 15.5 percent, and the payroll tax lower than that in other provinces which impose it. Nevertheless, the combined effects of these and other taxes on the mining industry is presently being studied by the Department of Finance and the Department of Mines and Energy.

Tax exemptions have been used to encourage economic development. For example, reduced RST rates for construction materials were in effect from 1982 to 1986, and the Hibernia project was given large RST concessions, as have the manufacturing and fishing industries. Some large resource companies are exempt from municipal taxes.

However, tax exemptions for some could mean increased taxes for others. Government is attempting to lower the RST rate by broadening the base – by reducing exemptions – and has received briefs from all sectors of the Province's economy. Under consideration is the possibility of introducing RST rebates for businesses.

Short-term programs of diminishing tax incentives for new enterprises have distinct advantages over traditional assistance programs involving grants, loans and subsidies. Tax relief in the early stages of a new company's existence helps the company survive and reinvest in the local economy, and Government does not need to draw on existing revenues to provide the development incentives.

Government Action

- Government should ensure that the tax system does not discourage development and should implement tax reforms to stimulate economic expansion.

Loans, Loan Guarantees, Grants and Subsidies

Government financial assistance programs are used extensively by the provincial government to assist private businesses to start, expand, create new markets, or simply sustain their operations during difficult periods. Assistance to small business was extensively reviewed by a provincial government Task Force in 1987 which resulted in a report, *The Heavy Helping Hand; Making Small Business Policy Work*. The Report recommended a highly coordinated approach between ACOA and provincial agencies. These recommendations should be re-examined within the context of a Strategic Plan.

Government Action

- Government's full portfolio of financial instruments for economic development should be assessed to determine if they are inappropriately sustaining non-economic sectors, and to redirect their use into the strategic priorities of this plan.
- The emphasis of federal/provincial ERDA Cooperation agreements should be enhanced, not only to provide for capital costs and infrastructure, but to contribute more towards entrepreneurship, marketing and human resource development. Where appropriate, efforts should be made to direct financial assistance programs away from loan guarantees and grants toward equity investments which will give businesses a better opportunity to succeed.
- Government's financial involvement with the private sector should be used to lever other actions that will contribute to economic development. For example, enterprises should be expected, as a condition of receiving Government assistance, to develop capabilities in marketing and quality assurance and control, and emphasize productivity through training and upgrading of workers.

Labour Relations

The relationship between labour and management has an important influence on an economy's prospects for growth and development. Labour–management relations should be considered not only as a vehicle for solving problems of wages or working conditions, but also as a means of improving product quality, productivity, employment opportunities and the investment climate.

Experience in other countries, such as Japan and Germany, has shown that tripartite cooperation among governments, business and labour can foster a positive labour relations climate. The development of the Hibernia Project can be viewed as an example of a good partnership among these sectors.

Labour relations must be viewed from an economic viewpoint based on cooperation, not confrontation. Employers and employees alike have to recognize that productivity, product quality and cost competitiveness have a direct influence on a firm's profitability and ability to generate employment. Governments and business also have to be sensitive to the issues of job security, training and consideration of people. The mutual understanding of all groups is necessary so that they can capitalize on structural change in the Province's economy.

Government Action

- Government must foster a positive labour relations climate in the Province. Specific attention must be placed on pragmatic and fair policies which assist labour and management to communicate, negotiate, and resolve disputes with a minimum of work interruption and confrontation.

- To improve labour–management relations, Government should encourage businesses to investigate measures such as labour-management decision-making committees, production bonuses, employee equity participation and productivity gains-sharing.

- To ensure positive adjustment to structural changes that result in worker dislocation, Government should encourage firms to adopt measures such as providing advance notice, improved job transfer provisions, training/re-training options and broader voluntary early retirement provisions.

Native Issues

Some native groups in the Province have claimed aboriginal title to the land and its resources. These claims may be resolved either in the courts or by the Province's preferred method, negotiation. Such claims can affect economic development through court injunctions which delay development of the land or which halt development because of the number of restrictions attached to it. Either way, the potential for stopping, altering or otherwise delaying projects could deter private investors and developers. To avoid possible conflict, the Province's lands claim policy provides for consideration of Provisional or Interim Measures which would provide for increased consultation with native groups on individual projects and establish effective, regular liaison to improve the course of development for all parties.

To date, comprehensive claims by the Labrador Inuit Association and the Naskapi-Montagnais Innu Association to lands and resources in the Province have been accepted for negotiations by the federal and provincial governments. The Province and Canada have yet to reach a satisfactory understanding regarding some aspects of their respective roles and responsibilities in the negotiation and settlement of claims.

Government Action

- The Province should continue to ensure that native concerns will be considered when projects are planned which might affect, or be affected by, native land claims.
- The Province should take steps, in conjunction with the federal government, to accelerate the settlement of land claims.
- The Province should take action to work with native communities to support native people in formulating and implementing their own economic development strategies.

Environmental Assessment

The environment in Newfoundland and Labrador remains relatively unspoiled and must be protected in order to maintain a high quality of life for future generations and to serve as a base for tourism development and attracting industry. In this context, Government must identify, advance and promote strategies that will integrate economic and environmental planning in an effort to ensure the achievement of sustainable development.

Almost all new resource and economic development projects in the Province must be registered under the Province's *Environmental Assessment Act*, 1980. This legislation is designed to ensure that the potential environmental impacts of proposed development activity are fully understood and that the environment is protected before they receive Government approval.

Until recently, the provincial environmental assessment legislation and process was the major environmental assessment regime which potential investors and developers needed to be aware of and comply with. Recent court decisions have resulted in the strict application of the existing federal Environmental Assessment Guidelines Order. The pending proclamation of the Bill C-13, the *Canadian Environmental Assessment Act*, means that many future development projects will also be subject to stricter federal environmental assessment.

The requirement for investors to satisfy both federal and provincial environmental assessment legislation has the potential to impose additional costs and time delays on investors throughout Canada – the end result being a deterrent to investment. For this reason, Government has directed the Minister of Environment and Lands to pursue consultations with the federal Minister with a view to reducing the scope of the proposed federal legislation, and to seeking a single, harmonized federal/provincial environmental assessment process. It is too early to predict the outcome of these negotiations.

Government Action

- Government needs to establish cooperative arrangements with federal departments that will reduce the duplication, expense and time delays which investors could face in meeting the environmental assessment requirements of both orders of government. The Minister of Environment and Lands has been given a mandate to pursue this.
- Following negotiation of a cooperative environmental assessment process the Province should consider preparing an appropriate information package to educate potential investors on environmental assessment procedures that will be operative in Newfoundland and Labrador.
- While continuing to strive toward the critical goals of protecting and enhancing our environment, the Province needs to streamline its current environmental assessment legislation so that the process focuses more precisely on those projects that truly challenge our commitment to sustainable development.
- Recognizing that we can no more legislate environmental consciousness then we can decree morality, government must nevertheless diligently pursue imaginative and cost effective solutions to the pervasive problems of abandoned vehicle wrecks, littering and indiscriminate ATV use on sensitive ecosystems, all of which run counter to our efforts to promote economic development within the tourism sector and to improve our quality of life.

Transportation

Cost-effective and efficient transportation links are critical to the Newfoundland and Labrador economy and to the development of globally competitive business. The competitive position of many Newfoundland and Labrador firms can be seriously eroded by increases in transportation costs and by reductions and short-term disruptions in service. Current federal proposals regarding cost recovery and deregulation could have dramatic effects on development in the Province. Industries are quite sensitive to the continuing

uncertainties associated with such measures. Newfoundland and Labrador, because of its geography, can be quite vulnerable to the implementation of these measures and will have to monitor their progress quite closely.

Because of distances to market, it is absolutely essential that the physical infrastructure associated with transportation links in all economic development regions of the Province be improved to ensure cost competitiveness when moving goods to the marketplace. Quality, efficient and cost-effective transportation systems are also vital to the development and expansion of the Province's tourism sector.

Government Action

- Government should support and promote the development of a National Highway Policy and obtain recognition from the federal government of their responsibility for surface transportation. Efforts should be made to upgrade to four lanes the Newfoundland portion of the Trans Canada Highway.
- Government should move quickly to complete its study of the Trans Labrador Highway and on the basis of that study initiate negotiations with the federal government to fund construction of the highway.
- Government should work with the federal government to ensure that the ferry services linking the Island portion of the Province to the mainland do not pose problems for the movement of goods to the marketplace. These marine links are also key to the development of the tourism industry in the Province.
- The Province, in conjunction with the federal government, should undertake marketing and promotional efforts to attract more foreign usage of our international airports and to use those airports to attract external investment.
- Government should ensure that the physical transportation network currently in place (or being planned) is adequate to meet the Province's needs in pursuing its economic development goals.

Other Policies

To prepare a full and effective strategic economic plan, the Province recognizes that there are other policies and sectors which need further research to determine the positive or negative impacts they may have on the future economic development of the Province. The Province will need to pay particular attention to the significance which the construction, municipal infrastructure and communications sectors play in the provincial economy and determine whether these sectors offer potential for further employment

opportunities and greater efficiencies. Appropriate studies are being undertaken of these sectors to determine their importance in the formulation of the Strategic Economic Plan.

Government Action

- Government should review the current impacts of the construction, transportation and communications industries on the economy of the Province and determine whether greater efficiencies can be achieved and export and domestic employment opportunities generated.
- The Province, in conjunction with the federal government, should review the physical infrastructure networks associated with transportation and communications to address constraints which the current systems may impose on future development and to initiate steps to remove them.
- The Province should review the impact which municipal infrastructure and the provision of adequate public services have on attracting external investment.

CONCLUSION

This report has identified numerous development opportunities and framework policies as a base for a strategic economic development plan. As stated in the Foreword, Government does not expect complete agreement on all of the ideas put forward as options, or on all of the other views expressed here. Rather, we hope that this document will be the starting point for an open and frank discussion among the residents of this Province as we consider our approach to economic development in the 1990s and beyond. No approach can be successful without the involvement and commitment of the people who live and work here. That is why we need your participation in the process: we want to hear your ideas and your options.